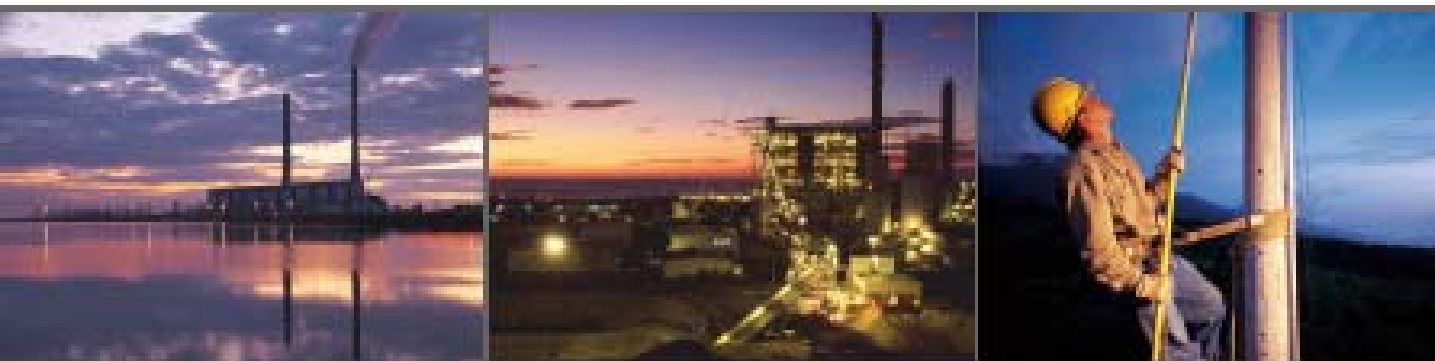




The AES Investor Fact Book
September 2003

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ABOUT THIS PUBLICATION

This publication is unaudited and should be used in conjunction with the AES 2002 10-K, the 8-K filed June 13, 2003 and the 2003 10-Qs filed with the Securities and Exchange Commission. The publication has been prepared for information purposes and is not intended for use in connection with any sale or purchase of, or any offer to buy, any securities of AES Corporation or its subsidiaries.

FORWARD LOOKING STATEMENTS

Certain statements in the following publication regarding AES's business operations may constitute "forward looking statements" as defined by the Securities and Exchange Commission. Such statements are not historical facts, but are predictions about the future which inherently involve risks and uncertainties, which could cause our actual results to differ from those contained in the forward looking statements. We urge investors to read our descriptions and discussions of these risks that are contained under the section "Risk Factors" in the Company's filings with the Securities and Exchange Commission. The publication includes certain non-GAAP figures. Each such figure that can be reconciled under GAAP is included with a footnote and the corresponding GAAP reconciliation figure is included in Appendix A hereto. In some cases, reconciliation under GAAP for forward looking statements is not assessable and therefore no such GAAP reconciliation has been presented.

CORPORATE PROFILE

The AES Corporation is a leading independent power company. AES owns and operates over \$34Bn of assets in 28 countries on 5 continents, including 119 power generation facilities that provide over 46,000 megawatts of generating capacity. In addition, AES operates 17 electric distribution companies that deliver electricity to over 11 million end-use customers.

AES's corporate structure is a holding company whose cash flows are comprised primarily of subsidiary distributions from its portfolio of businesses, which are independently capitalized and make extensive use of non-recourse financing. The Company's business model is founded on the generation and distribution of electricity, and the vast majority of the Company's revenues and cash flows are generated under long-term contracts with wholesale customers or through electricity sales to retail customers under regulated tariff or concession agreements.

As of June 30, 2003, approximately 24% of AES's revenues came from businesses in North America, 18% from the Caribbean, 34% from South America, 19% from Europe and Africa, and 5% from Asia.

The Company's goals are to help meet the world's need for electric power in ways that benefit all of its stakeholders, to build long term value for the Company's shareholders, and to assure sustained performance and viability of the Company for its owners, employees and other individuals and organizations who depend on the Company. To realize these goals the Company strives for excellence in the performance, operation and management of each and every AES business. The 32,000 people of AES are also guided by the four shared values that helped shape the Company's culture: Fairness, Integrity, Social Responsibility and Fun.

For more information, see www.aes.com

We have produced this Investor Fact Book in response to the requests and encouragements from our investors. We hope that the information it provides will help you to gain a better understanding of AES Corporation and its significant businesses. This book is available electronically on the AES Website and printed copies can be requested from the AES Investor Relations Team.

AES Investor Relations

Section One

AES OPERATIONS **OVERVIEW**



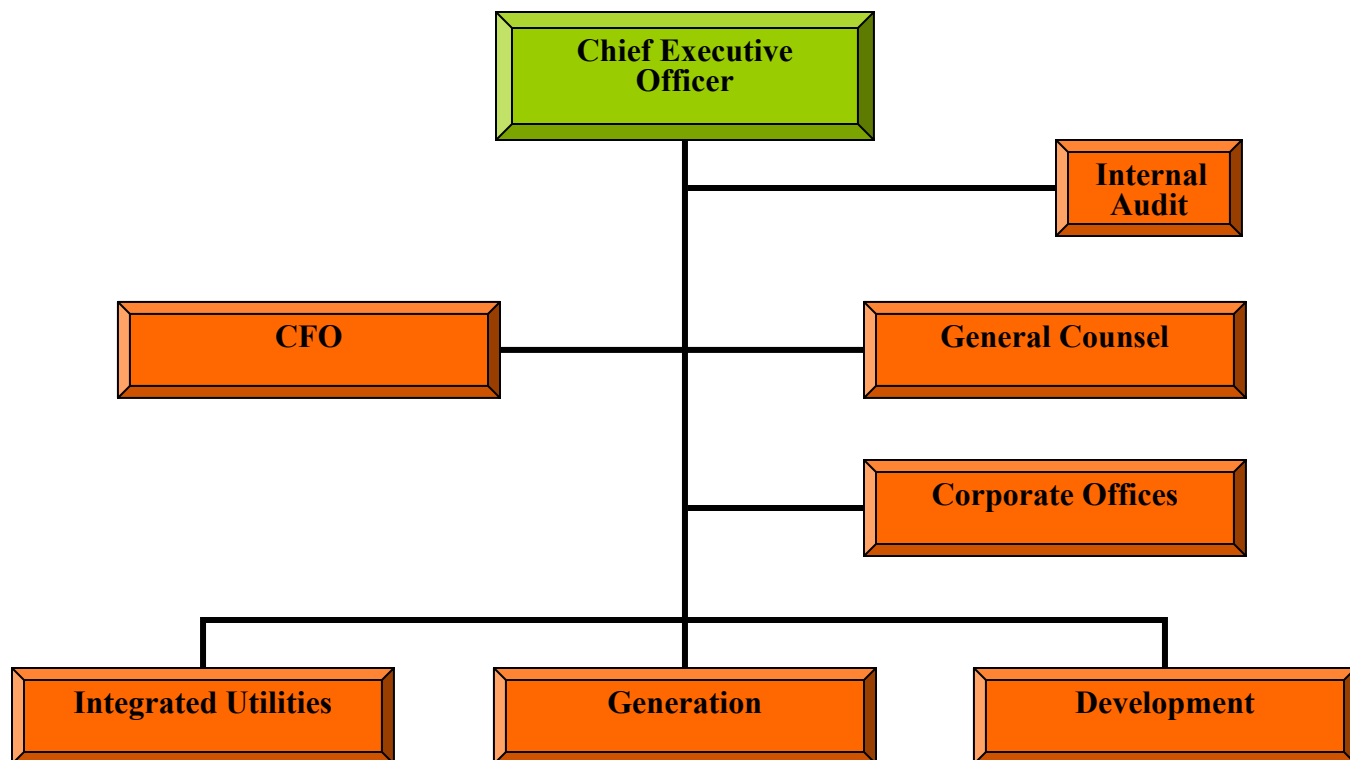
The Company: General Overview

AES is a global power company and a world-wide operator of electric generation and distribution businesses. The company owns and operates electric distribution facilities in the United States and abroad. The company is among the world's largest independent power companies with operations in 28 countries.

The AES Management Structure

In the beginning of 2003, AES realigned its businesses along two functional business units: Generation, which encompasses AES's Contract Generation and Competitive Supply businesses, and Integrated Utilities, which encompasses AES's Large Utilities and Growth Distribution businesses. Prior to this re-organization, AES's management reporting structure was oriented around geographic business units. By realigning along functional lines, AES expects to generate numerous operational efficiencies, including:

- (i) implementation of a global strategic sourcing initiative designed to leverage economies of scale and scope across its global cost structure;
- (ii) greater knowledge and "best practices" sharing across similar businesses within each business unit;
- (iii) operating and financial benchmarking across similar businesses within each business unit.



AES has also implemented numerous management changes, in conjunction with its new functional structure. Paul Hanrahan was appointed President and Chief Executive Officer in June 2002, having served in numerous senior management positions at AES since joining the Company in 1986. In February 2003, John Ruggirello, Executive Vice President, was named Chief Operating Officer over AES's Generation business unit. In May 2003, Joseph Brandt was named Executive Vice President and Chief Operating Officer over AES's Integrated Utilities business unit, while retaining his position as Chief Restructuring Officer. Both COOs report to the Chief Executive Officer. In addition, AES made numerous changes to its Board of Directors. In May 2003, Richard Darman was named Chairman of the Board, replacing Roger Sant, who was named Chairman Emeritus. In addition, four other new Board members have been appointed in 2003.

The company generates its cash flow from subsidiary distributions from a portfolio of stand-alone AES asset-based businesses. The Company's operations business model is founded on the generation and distribution of electricity. AES has a diversified portfolio of projects with 119 power plants and 17 electric distribution companies in operation. The vast majority of the Company's revenues and cash flows are generated under long-term contracts with wholesale customers or through electricity sales to retail customers under regulated tariff or concession agreements. Within its two primary areas of operation, AES participates in four lines of business: Contract generation, Competitive Supply, Large Utilities and Growth Distribution.

The Generation Business – Contract Generation and Competitive Supply

Electricity generation is a commodity business, but electricity is different compared to other commodities in that it cannot be stored and must be used instantaneously as it is produced. Since it is a commodity business generators compete primarily on price. Low production costs, reliability and deliverability (a plant's location and transmission interconnections and constraints) of electricity supply will influence a generator's competitiveness in an electricity market. Regulators establish the basic framework of the market, determine how generators bid into the market and how the market clearing price is set. Generation is the riskiest segment of the electricity supply industry. This is because of the complex range of operating risks and progressively competitive nature of the business. Generators need to become increasingly sophisticated in managing fuel commodity risk and electricity commodity price risk. For the purposes of this presentation and classification, the AES generation segment consists of two components: **Contract Generation and Competitive Supply**. The division of management responsibilities between "Generation" and "Integrated Utilities" differs from the line of business groupings.

CONTRACT GENERATION



AES's contract generation line of business consists of multiple generation facilities located around the world. Provided the counterparty's credit remains viable, these facilities have contractually limited their exposure to commodity price risks, primarily electricity prices. These facilities generally limit their exposure to electricity price volatility by entering into long-term power purchase agreements for 75% or more of their output capacity. Because they have contracted for a majority of their anticipated output, they are better able to project their fuel supply requirements and also, generally, enter into long-term agreements for most of their fuel (coal, natural gas, fuel oil or other similar fuel) supply requirements, thereby also limiting their exposure to fuel price volatility. Through these contractual agreements, the businesses generally increase the predictability of their cash flows and earnings.

Jiaozuo - China

According to AES's definition of its contract generation segment, long-term power purchase agreements have minimum initial durations of five years or longer and are typically entered into with one major customer, but may also be with a series of unrelated customers. In addition, AES may enter into tolling or "pass through" arrangements whereby the counterparty directly assumes the risks associated with providing the necessary fuel and markets the resulting power output generated. However, not all businesses within AES' contract generation line of business have the same degree of contractually limited exposure, and therefore, the degree of predictability may vary from business to business.

The prolonged failure of any significant customer to fulfill its contractual obligations in the future could have a substantial negative impact on AES's results of operations and financial condition. AES has sought to reduce this risk, where possible, by contracting with customers who have their debt or preferred securities rated "investment grade", or by obtaining sovereign government guarantees of the customer's obligations. However, AES does not limit its business solely to developed countries or economies, nor even to those countries with investment grade sovereign credit ratings.



Warrior Run - U.S.A

In certain locations, particularly in developing countries that are in transition from centrally planned to market-oriented economies, the electricity purchasers, both wholesale and retail, may be unable or unwilling to honor all of their contractual obligations. Moreover, collection of receivables may be hindered in some countries due to ineffective systems for adjudicating contract disputes. In order to minimize the risk of contract abrogation, AES takes steps to maintain flexibility with its customers. In many instances, AES is able to avoid contract abrogation by creatively restructuring contracts without disadvantaging itself. In situations in which this is not possible, AES diligently pursues resolution through litigation or contractually prescribed arbitration. AES believes that locating its plants in different geographic areas helps to mitigate the effects of regional economic downturns, thereby mitigating a portion of the risks imposed by operating in less developed countries.

COMPETITIVE SUPPLY

AES's competitive supply line of business consists of generating facilities that sell electricity to wholesale customers in competitive markets. Additionally, as compared to the contract generation segment discussed above, these generating facilities generally sell less than 75% of their output pursuant to long-term contracts with pre-determined pricing provisions and/or sell into power pools, under shorter-term contracts or into daily markets. In managing supply and price risk, all options for supply are actively considered including (i) utilizing the output from AES-owned generating assets, (ii) building or acquiring additional generating assets and (iii) buying electricity from other generators or marketers. AES permits its wholesale and retail businesses to operate independently but may choose to integrate businesses in certain instances where it is economically advantageous to AES to do so.



Granite Ridge - USA

The prices paid for electricity under short-term contracts and in the spot markets are unpredictable and can be, and from time to time have been volatile. This volatility is influenced by peak demand requirements, weather conditions, competition, market regulation, interest rate and foreign exchange rate fluctuations, electricity transmission and environmental emission constraints, the availability or prices of emission credits and fuel prices, as well as plant availability and other relevant factors. In addition to exposure to the risks associated with market movement, the competitive supply business is also exposed to credit risk either because such businesses may be required to establish sufficient credit risk either because of the potential nonperformance of contractual obligations by a counterparty.

AES maintains credit policies with regard to its counterparties; however, there can be no assurance that these parties will ultimately be able to pay when called to do so. The absence of long-term contracts can also result in uncertainty relating to future production volumes, which in turn causes uncertainty with respect to the volume of fuel to be consumed to support such production. As a result, the competitive supply business may also be exposed to volume risk in connection with its purchase of natural gas, coal and other raw materials. In the US, AES hedges certain aspects of its "net open" positions. AES has used a hedging strategy, where appropriate, to hedge its financial performance against the effects of fluctuations in energy commodity prices. The implementation of this strategy involves the use of commodity forward contracts, futures, swaps and options.



Rio Juramento - Argentina

The Integrated Utilities Business – Large Utilities and Growth Distribution

Integrated utilities are responsible for the delivery of electricity to consumers. AES's definition of integrated utilities is somewhat broader than the traditional usage. Some businesses within this category are fully vertically integrated (generation, transmission, distribution) and they benefit from the natural hedge that is created for both their generation and distribution facilities. Others are partially integrated (transmission and distribution). Others are pure distribution businesses, which serve a market of customers within a franchise area and transport electricity purchased by customers from independent generators or marketers.

The performance of integrated utilities is governed and affected by the regulatory environment in which they operate and the variations in the policies and practices of the local and international regulatory entities that regulate activities relating to ownership, marketing, delivery and pricing of electricity and fuel. Most integrated utilities operate in monopolistic concession areas and face very limited competition from other distributors. However, they must focus on their costs, reliability and quality of service to avoid or minimize regulatory, political and competitive challenges. In many instances, regulators set rates on a cost-plus basis, where rates are set to recover costs and to provide a return on shareholder investment.



The prospects for stable growth in this segment are also highly correlated to the strength of the local economy, the unique electricity market conditions, weather conditions, success of the operational changes implemented and growth in the customer base. Customer mix is also important. A large component of industrial customers may expose a distribution business to cyclical volatility. Businesses with a heavy residential concentration will benefit from a more predictable revenue stream. Also, distribution businesses that rely on a single or a few large customers will be exposed to financial risk should they lose one large customer.

For the purposes of this presentation and classification, the AES integrated utilities segment consists of two components: **Large Utilities and Growth Distribution**. The division of management responsibilities between "Generation" and "Integrated Utilities" differs from the line of business groupings.

LARGE UTILITIES

AES's large utilities line of business is comprised of three utilities located in three countries: IPALCO in the US; Eletropaulo (Eletropaulo Metropolitana Electricidade de São Paulo S.A) in Brazil; and EDC (C.A. La Electricidad de Caracas) in Venezuela. All three AES large utilities are of significant size and maintain monopoly franchises within a defined service area. In most cases, large utilities combine owned or contracted generation, transmission and distribution capabilities. Large utilities are subject to extensive local, state and national regulation relating to ownership, marketing, delivery and pricing of electricity and gas with a focus on protecting customers. Regulatory approval must generally be sought for the purchase, acquisition, sale, or disposal of these businesses. Revenues result primarily from electricity sales to customers under regulated tariff or concession agreements and to a lesser extent from contractual agreements of varying lengths and provisions.

GROWTH DISTRIBUTION

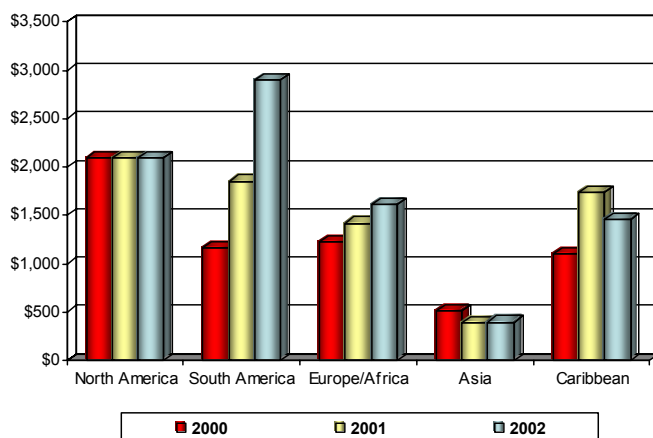
AES's growth distribution line of business includes distribution facilities located in developing countries where the demand for electricity is expected to grow at a higher rate than in more developed parts of the world. However, these businesses may face particular challenges associated with their presence in developing countries such as outdated equipment, significant theft-related losses, cultural problems associated with safety and non-payment, emerging economies, and potentially less stable governments or regulatory regimes. Often, however, the conditions of the business environment may also provide for significant opportunities to implement operating improvements that may stimulate growth in earnings and cash flow performance at rates greater than those typically achievable in AES's other lines of business.

Growth distribution revenues are derived from the distribution and sale of electricity made pursuant to the provisions of long-term electricity sale concessions granted by the appropriate governmental authorities, or in some locations, under existing regulatory laws and provisions.

Revenues and Gross Margin by Geography

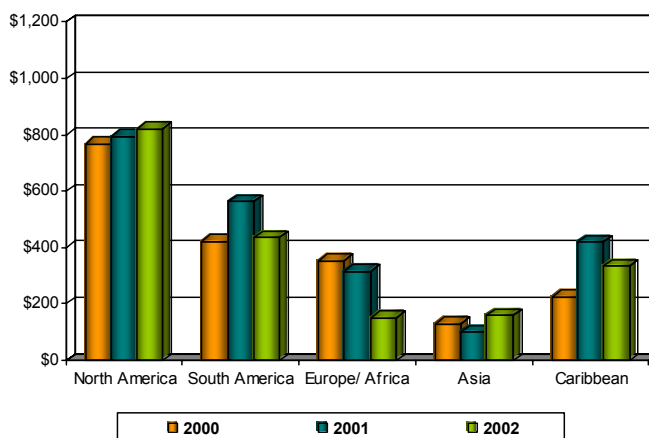
Revenues – By Region
(Fiscal 2000, 2001, 2002)

Dollars in Millions



Gross Margin – By Region
(Fiscal 2000, 2001, 2002)

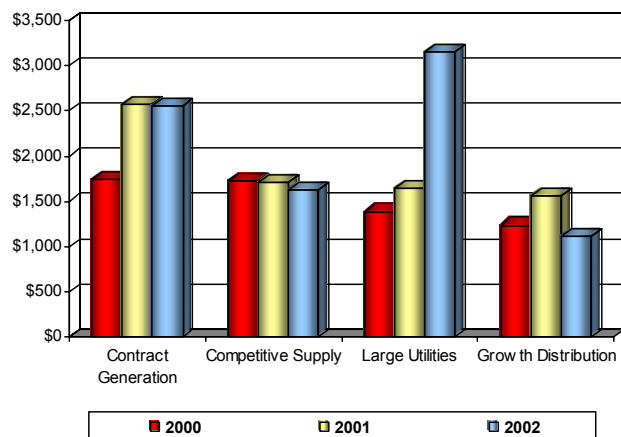
Dollars in Millions



Revenues and Operating Income by Line of Business

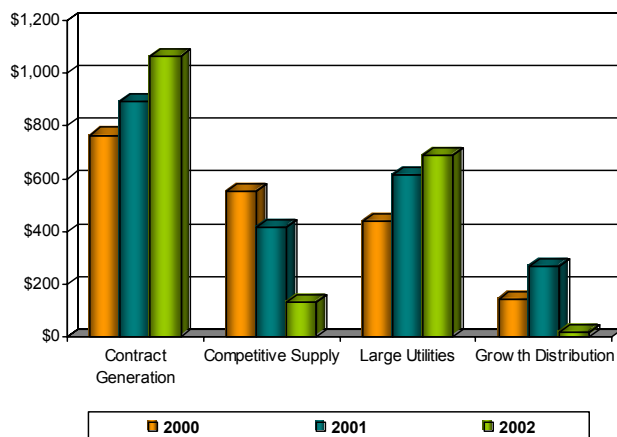
Revenues – By Line of Business
(Fiscal 2000, 2001, 2002)

Dollars in Millions



Gross Margin – By Line of Business
(Fiscal 2000, 2001, 2002)

Dollars in Millions



Revenues and Gross Margin by Geography

Dollars in Millions

NORTH AMERICA

	2000	2001	2002
Revenues	\$2,093	\$2,091	\$2,092
Gross Margin ⁽¹⁾	767	793	821

SOUTH AMERICA

Revenues	\$1,163	\$1,850	\$2,896
Gross Margin ⁽¹⁾	421	562	434

EUROPE / AFRICA

Revenues	\$1,224	\$1,419	\$1,609
Gross Margin ⁽¹⁾	353	315	150

ASIA

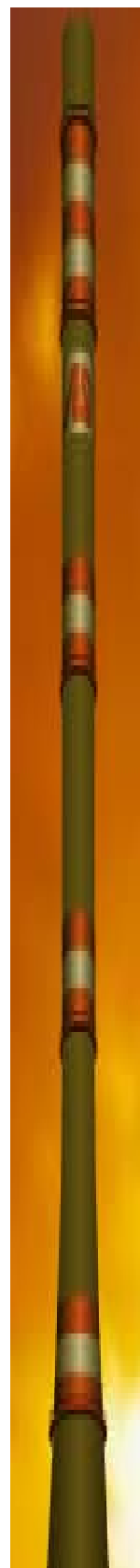
Revenues	\$510	\$384	\$393
Gross Margin ⁽¹⁾	130	101	158

CARIBBEAN ⁽²⁾

Revenues	\$1,098	\$1,735	\$1,455
Gross Margin ⁽¹⁾	226	420	335

⁽¹⁾ Gross Margin is revenues reduced by cost of sales and services.

⁽²⁾ Caribbean includes Venezuela and Colombia.



Revenues and Gross Margin by Line of Business

Dollars in Millions

CONTRACT GENERATION

	2000	2001	2002
Revenues	\$1,743	\$2,571	\$2,551
Gross Margin ⁽¹⁾	765	892	1,065

COMPETITIVE SUPPLY

Revenues	\$1,723	\$1,706	\$1,628
Gross Margin ⁽¹⁾	550	416	129

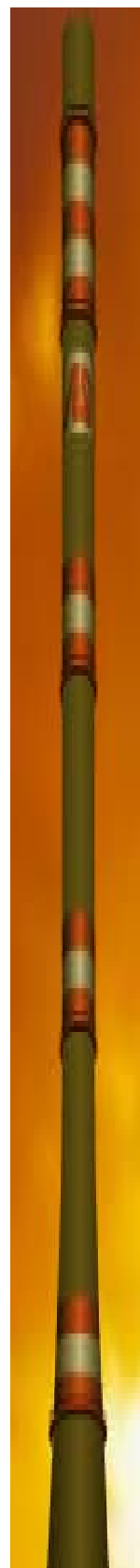
LARGE UTILITIES

Revenues	\$1,386	\$1,642	\$3,150
Gross Margin ⁽¹⁾	439	615	687

GROWTH DISTRIBUTION

Revenues	\$1,236	\$1,560	\$1,116
Gross Margin ⁽¹⁾	143	268	17

⁽¹⁾ Gross Margin is revenues reduced by cost of sales and services.



Top Cash Flow Contributions for Fiscal 2002

Projects	Region	Business Line	Subsidiary Distributions	
			(\$ MM)	%
IPALCO	Indiana	Lg. Utilities	\$151	13.8%
Shady Point	Oklahoma	Contract Gen.	95	8.6
Eastern Energy (NY Plants)	New York	Comp. Supply	64	5.8
EDC (Venezuela)	Venezuela	Lg. Utilities	55	5.0
Lal Pir	Pakistan	Contract Gen.	50	4.6
Hungary	Hungary	Contract Gen.	49	4.5
Pak Gen	Pakistan	Contract Gen.	47	4.3
Beaver Valley	Pennsylvania	Contract Gen.	37	3.4
Eletropaulo	Brazil	Lg. Utilities	36	3.3
Hawaii	Hawaii	Contract Gen.	35	3.2
Uruguaiana	Brazil	Contract Gen.	32	2.9
OPGC	India	Contract Gen.	30	2.7
Warrior Run	Maryland	Contract Gen.	28	2.6
Kilroot	No. Ireland	Contract Gen.	26	2.4
Chigen	China	Contract Gen.	25	2.3
Tax Sharing Payments			<u>81</u>	<u>7.4</u>
Subtotal of Top Contributors & Tax Sharing Payments			\$841	76.8%
Others ⁽¹⁾			\$254	23.2%
Total			\$1,095	100.0%

⁽¹⁾ Includes a reduction due to corporate overhead of \$48 million.

⁽²⁾ See Appendix A for GAAP reconciliation.



Non-Recourse Debt Maturities Schedule by Geography

June 30, 2003

Dollars in Millions

	Country/State	2003	2004	2005	2006	2007 Thereafter	Total
ASIA							
Altai	Kazakhstan	0	4	0	0	0	4
Barka	Oman	(2)	-	21	22	246	310
Chigen	China	154	12	9	8	175	358
Ekibastuz	Kazakhstan	6	-	-	-	-	6
Kelanitissa	Sri Lanka	4	7	4	4	46	69
Lal Pir	Pakistan	12	24	24	25	16	107
Maikuben	Kazakhstan	5	1	2	3	4	20
Other		13	-	-	-	-	13
Pak Gen	Pakistan	12	25	25	25	14	106
Ras Laffan	Qatar	-	14	29	30	330	435
Total Asia		204	87	114	117	93	1,428
CARIBBEAN							
Andres	Dominican Republic	-	21	-	62	5	107
CAESS	El Salvador	6	12	15	18	22	202
CLESA	El Salvador	3	5	6	8	9	66
EDC	Venezuela	199	66	245	139	13	734
EdeEste	Dominican Republic	9	-	-	-	-	9
Los Mina	Dominican Republic	-	21	1	1	1	25
Merida	Mexico	-	12	12	12	102	151
Panama	Panama	1	25	59	103	45	233
Puerto Rico	Puerto Rico	10	21	24	27	821	931
Total Caribbean		228	183	362	370	1,179	2,458
EUROPE/ AFRICA							
Barry	UK	157	-	-	-	-	157
Indian Queens	UK	-	3	4	6	53	72
Kilroot	UK	-	12	2	69	73	368
SONEL	Cameroon	-	4	5	5	160	179
Tisza II	Hungary	-	-	-	-	43	43
Total North America		157	19	11	80	468	819
NORTH AMERICA							
Beaver Valley	Pennsylvania	7	4	1	-	2	14
Granite Ridge	New Hampshire	4	7	8	9	11	287
Hawaii	Hawaii	15	33	35	47	59	189
IPALCO	Indiana	-	94	-	59	1,153	1,386
Ironwood	Pennsylvania	2	7	7	7	9	306
Eastern Energy ⁽¹⁾	New York	2	152	2	2	11	171
Red Oak	New Jersey	5	6	5	7	6	381
Shady Point	Oklahoma	21	46	28	30	32	180
Southland	California	13	31	37	38	41	667
Warrior Run	Maryland	7	17	20	22	24	370
Wolf Hollow	Texas	285	-	-	-	-	285
Total North America		361	397	143	221	2,850	4,236
SOUTH AMERICA							
Communications Bolivia	Bolivia	10	4	3	3	1	21
Edelap	Argentina	102	-	-	-	-	102
Eden/ Edes	Argentina	188	11	-	-	-	199
Eletropaulo	Brazil	2,318	61	22	20	12	2,487
Gener	Chile	58	80	556	545	61	1,352
Parana	Argentina	-	-	-	-	2	51
Sul	Brazil	5	196	-	120	-	330
Tiete	Brazil	85	30	52	57	64	856
Uruguaiana	Brazil	1	3	-	-	-	4
Total South America		2,767	385	633	745	140	5,404
TOTAL NON-RECOURSE DEBT BEFORE SALES OR DISCONTINUED OPERATIONS		3,717	1,071	1,263	1,533	717	14,345
DEBT CLASSIFIED AS HELD FOR SALE OR DISCONTINUED OPERATIONS							
Drax	UK	131	88	79	87	93	2,465
Haripur	Bangladesh	2	5	5	5	5	57
Meghnaghat	Bangladesh	3	6	7	7	8	220
Telasi	Republic of Georgia	-	6	6	6	6	50
Total Debt Classified as held for Sale or Discontinued Operations		136	105	97	105	112	2,792
TOTAL NON-RECOURSE DEBT		3,853	1,176	1,360	1,638	829	17,137

⁽¹⁾ Includes \$150 of NY Sells debt, which was subsequently repaid in July 2003.

Non-Recourse Debt Maturities Schedule by Line of Business

June 30, 2003

Dollars in Millions

Country/State		2003	2004	2005	2006	2007 Thereafter	Total	
CONTRACT GENERATION								
Andres	Dominican Republic	-	21	-	62	5	19	107
Barka	Oman	(2)	-	21	22	23	246	310
Beaver Valley	Pennsylvania - USA	7	4	1	-	-	2	14
Chigen	China	154	12	9	8	-	175	358
Gener	Chile	58	80	556	545	61	52	1,352
Hawaii	Hawaii - USA	15	33	35	47	59	-	189
Ironwood	Pennsylvania - USA	2	7	7	7	9	274	306
Kelanitissa	Sri Lanka	4	7	4	4	4	46	69
Kilroot	UK	-	12	2	69	73	212	368
Lal Pir	Pakistan	12	24	24	25	16	6	107
Los Mina	Dominican Republic	-	21	1	1	1	1	25
Merida	Mexico	-	12	12	12	13	102	151
Pak Gen	Pakistan	12	25	25	25	14	5	106
Puerto Rico	Puerto Rico	10	21	24	27	28	821	931
Ras Laffan	Qatar	-	14	29	30	32	330	435
Red Oak	New Jersey - USA	5	6	5	7	6	352	381
Shady Point	Oklahoma - USA	21	46	28	30	32	23	180
Southland	California - USA	13	31	37	38	41	507	667
Tiete	Brazil	85	30	52	57	64	568	856
Tisza II	Hungary	-	-	-	-	-	43	43
Uruguaiana	Brazil	1	3	-	-	-	-	4
Warrior Run	Maryland - USA	7	17	20	22	24	280	370
Total Contract Generation		404	426	892	1,038	505	4,064	7,329
COMPETITIVE SUPPLY								
Barry	UK	157	-	-	-	-	-	157
Communications Bolivia	Bolivia	10	4	3	3	1	-	21
Eastern Energy (1)	New York - USA	2	152	2	2	2	11	171
Ekibastuz	Kazakhstan	6	-	-	-	-	-	6
Granite Ridge	New Hampshire - USA	4	7	8	9	11	248	287
Indian Queens	UK	-	3	4	6	6	53	72
Maikuben	Kazakhstan	5	1	2	3	4	5	20
Panama	Panama	1	25	59	103	45	-	233
Parana	Argentina	-	-	-	-	2	51	53
Wolf Hollow	Texas - USA	285	-	-	-	-	-	285
Other	Other	13	-	-	-	-	-	13
Total Competitive Supply		483	192	78	126	71	368	1,318
LARGE UTILITIES								
EDC	Venezuela	199	66	245	139	13	72	734
Eletropaulo	Brazil	2,318	61	22	20	12	54	2,487
IPALCO	Indiana - USA	-	94	-	59	80	1,153	1,386
Total Large Utilities		2,517	221	267	218	105	1,279	4,607
GROWTH DISTRIBUTION								
Altai	Kazakhstan	-	4	-	-	-	-	4
CAESS	El Salvador	6	12	15	18	22	129	202
CLESA	El Salvador	3	5	6	8	9	35	66
EdeEste	Dominican Republic	9	-	-	-	-	-	9
Edelap	Argentina	102	-	-	-	-	-	102
Eden/ Edes	Argentina	188	11	-	-	-	-	199
SONEL	Cameroon	-	4	5	5	5	160	179
Sul	Brazil	5	196	-	120	-	9	330
Total Growth Distribution		313	232	26	151	36	333	1,091
TOTAL NON-RECOURSE DEBT BEFORE SALES OR DISCONTINUED OPERATIONS		3,717	1,071	1,263	1,533	717	6,044	14,345
DEBT CLASSIFIED AS HELD FOR SALE OR DISCONTINUED OPERATIONS								
Drax	UK	131	88	79	87	93	1,987	2,465
Haripur	Bangladesh	2	5	5	5	5	35	57
Meghnaghat	Bangladesh	3	6	7	7	8	189	220
Telasi	Republic of Georgia	-	6	6	6	6	26	50
Total Debt Classified as Held for Sale or Discontinued Operations		136	105	97	105	112	2,237	2,792
TOTAL NON-RECOURSE DEBT		3,853	1,176	1,360	1,638	829	8,281	17,137

(1) Includes \$150 of NY Sells debt, which was subsequently repaid in July 2003.

Section Two

CONTRACT GENERATION **LINE OF BUSINESS**



I. Contract Generation Facilities

The following tables set forth information regarding the Company's Contract Generation facilities that are in operation in North America, South America and Europe/ Africa at August 31, 2003.

Contract Generation – North America, South America & Europe/ Africa

	Location	Fuel	Gross MW	AES Equity Interest (percent)	COD/DA	Contract Expiration Date	Customer(s)
<u>NORTH AMERICA</u>							
Beaver Valley	PA - U.S.A.	Coal	125	100	1987	2016	West Penn Power Co.
Delano	CA - U.S.A.	Biomass	50	100	2001	2007	San Diego Gas & Electric
Hawaii	HI - U.S.A.	Coal	189	100	1992	2022	Hawaiian Electric Co.
Hemphill	NH - U.S.A.	Biomass	14	67	2001	2007	Public Service New Hampshire
Ironwood	PA - U.S.A.	Gas	705	100	2001	2021	Williams Energy Marketing & Trading Co.
Kingston	Ontario - Canada	Gas	110	50	1997	2017	Ontario Electricity Financial Corp.
Mendota	CA - U.S.A.	Biomass	25	100	2001	2014	Pacific Gas & Electric
Placerita	CA - U.S.A.	Gas	120	100	1989	2008	Southern California Edison
Red Oak	NJ -U.S.A.	Gas	832	100	2002	2022	Williams Energy Marketing & Trading Co.
Shady Point	OK - U.S.A.	Coal	320	100	1991	2008	Oklahoma Gas & Electric
Southland	CA - U.S.A.	Gas	4,357	100	1998	2007-2013	Williams Energy Marketing & Trading Co. and Southern California Edison
Thames	CT - U.S.A.	Coal	181	100	1990	2015	Connecticut Light & Power
Warrior Run	MD - U.S.A.	Coal	180	100	2000	2030	Potomac Edison (Allegheny Power)
			7,208				
<u>SOUTH AMERICA</u>							
Gener	Chile	Hydro/ Coal/ Gas	3,400	49-99	2000	2003-2015	Various customers
Tiete	Brazil	Hydro	2,651	53	1999	2015	Eletropaulo
Uruguaiana	Brazil	Gas	639	100	2000	2020	Companhia Estadual de Energia Elétrica /Rio Grande Energia S.A./AES Sul Distribuidora Gaúcha de Energia S.A
			6,690				
<u>EUROPE/ AFRICA</u>							
Bohemia	Czech. Rep.	Coal	50	100	2001	2015	Jihoceska Energetika
Ebute	Nigeria	Gas	290	95	2001	2014	National Electric Power Authority
Elsta	Netherlands	Gas	405	50	1998	2018	Dow Benelux, Delta Nutsbedrijven, Essent Energy
Kilroot	N. Ireland, U.K.	Coal/Oil	520	97	1992	2024	Northern Ireland Electricity
Medway	England, U.K.	Gas	688	25	1996	2011	SSE Energy Supply Ltd., SEEBOARD Energy Ltd.
Tisza II	Hungary	Oil/Gas	860	100	1996	2016	Magyar Villamos Muvek (MVM)
			2,813				

I. Contract Generation Facilities

The following tables set forth information regarding the Company's Contract Generation facilities that are in operation in Asia and the Caribbean at August 31, 2003.

Contract Generation – Asia & Caribbean

	Location	Fuel	Gross MW	AES Equity Interest (percent)	COD/DA	Contract Expiration Date	Customer(s)
<u>ASIA</u>							
Barka	Oman	Gas	427	85	2003	2018	Government of Oman
Chigen	China	Coal	2,839	25 - 71	1996 - 2001	2003-2016	Various Customers
Hariपुर (sale pending)	Bangladesh	Gas	360	100	2001	2023	Bangladesh Pwr. Dev. Board
Lal Pir	Pakistan	Oil	351	90	1997	2027	Water and Power Development Authority
Meghnaghat (sale pending)	Bangladesh	Gas	450	100	2002	2024	Bangladesh Pwr. Dev. Board
OPGC	India	Coal	420	49	1998	2026	GRID Corporation Ltd.
PakGen	Pakistan	Oil	344	90	1998	2028	Water and Power Development Authority
Ras Laffan	Qatar	Gas	416	55	2003	2029	Qatar Gen Elec & Water Corp
			5,607				
<u>CARIBBEAN</u>							
Itabo	Dom. Republic	Diesel Oil	587	25	2000	2016	Ede Este
Los Mina	Dom. Republic	Oil	210	100	1996	2016	Ede Este
Merida III	Mexico	Gas/Oil	497	55	2000	2025	Comision Federal de Electricidad
Puerto Rico	PR - U.S.A.	Coal	454	100	2002	2027	Puerto Rico Electric Power Authority
			1,748				
CONTRACT GENERATION OPERATIONAL CAPACITY			24,066				

The following table sets forth information regarding the Company's Contract Generation facilities that are under construction at August 31, 2003.

Contract Generation – Under Construction

	Location	Fuel	Gross MW	AES Equity Interest (percent)	COD/DA	Contract Expiration Date	Customer(s)
Andres - Caribbean	Dom. Republic	Gas	310	100	3Q 2003	2018	Ede Este
Cartagena - Europe/ Africa	Spain	Gas	1,200	100	1Q 2006	2027	Gaz de France
Kelanitissa - Asia	Sri Lanka	Diesel	165	90	3Q 2003	2022	Ceylon Electricity Board
Ras Laffan - Asia	Qatar	Gas	334	55	3Q 2003	2029	Qatar Gen Elec & Water Corp
			2,009				

III. The Significant Businesses

The following pages provide profiles and descriptions of AES's significant Contract Generation businesses, which include:

- Beaver Valley
- Chigen
- Ebute
- Gener
- Hawaii
- Hungary
- Kilroot
- Lal Pir
- Pak Gen
- Puerto Rico
- Shady Point
- Southland
- Thames
- Tiete
- Uruguaiana
- Warrior Run

This section also includes shorter profiles of the following other Contract Generation businesses:

North America

- Delano
- Hemphill
- Ironwood
- Kingston
- Mendota
- Merida III
- Placerita
- Red Oak

Europe/ Africa

- Cartagena
- Elsta

Caribbean

- Andres
- Los Mina

Asia

- Barka
- Kelanitissa
- OPGC
- Ras Laffan



Beaver Valley

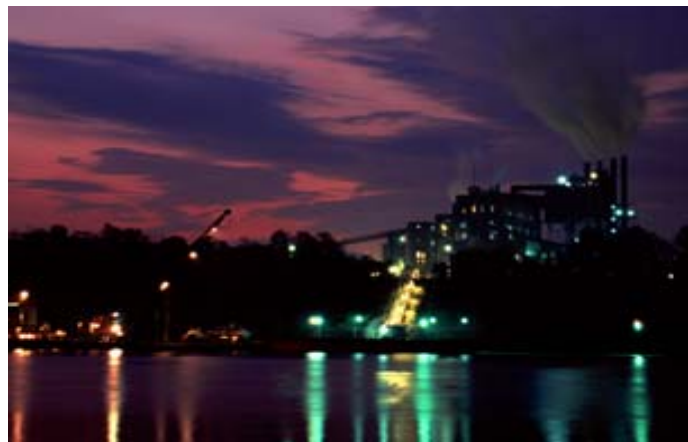
DESCRIPTION AND STATISTICAL INFORMATION

MW	Commencement/ Acquisition	Dominant Fuel	Region	Location	Business Line	AES Equity Interest
125	1987	Coal	North America	USA	Contract Generation	100%

Beaver Valley is a 125MW pulverized coal-fired cogeneration plant located in Potter Township, Pennsylvania, about 25 miles west of Pittsburgh. The plant is a Qualified Facility (QF) under the Public Utility Regulatory Policies Act (PURPA). AES acquired 80% of the project from ARCO Chemical Company in 1985, through BV Partners, a Pennsylvania partnership between Beaver Valley and Shepperton Leasing Company (SLC).

Beaver Valley commenced full-scale operation in July 1987. In November 1999, AES entered into a transaction to purchase the remaining 20% interest from SLC, thereby increasing its ownership to 100 percent.

(Dollars in Millions)	2000	2001	2002
Revenues	43.9	51.3	61.0



Beaver Valley

THE PHYSICAL ASSETS

Beaver Valley was originally built in 1942. The facility was converted into a cogeneration plant after its purchase by AES. The facility utilizes three Babcock & Wilcox 40MW pulverized coal-fired boilers, one 20MW Combustion Engineering pulverized coal-fired boiler, one 120MW Brown Boveri Card condensing steam turbine generator and one 35MW Turbodyne topping turbine generator. Beaver Valley sells steam to two neighboring chemical plants to be used in their respective processes. Beaver Valley is one of six AES cogeneration plants that are defined as qualifying facilities (QFs) under PURPA.

SALES AND OPERATIONS

Electricity Sales: Beaver Valley sells electricity under a 31 year PURPA Electrical Energy Purchase Agreement (EEPA) to West Penn Power (a subsidiary of Allegheny Power) for up to 125MWh. The contract has been in effect since August 1985 and expires December 2016. The capacity payment under the contract varies over time according to a fixed schedule and the energy payment is based on the fuel and O&M costs at a reference Allegheny power plant.

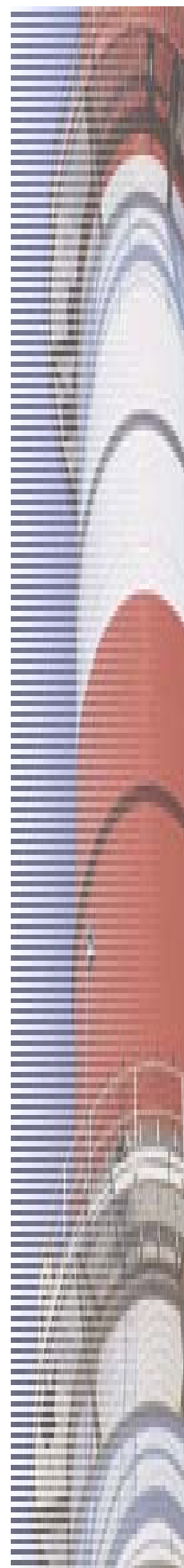
Steam Sales: In order to maintain its QF status under the PURPA contract, Beaver Valley sells steam to neighboring NOVA and BASF chemical plants.

Fuel Supply: The project hedges its energy cost/revenues position by entering into short-term (12-18 month) contracts with RAG and Peabody Coal. The facility also has a fuel agency agreement with Anker Energy Corporation to provide procurement services through the end of the EEPA.

O&M Operator: Beaver Valley is operated and maintained by a subsidiary of AES Corp.

REGULATION AND MARKETS

Beaver Valley is a contract generation business whose PPA expires in 2016. Accordingly the business is not currently subject to market pricing for its output. Beaver Valley is located within the Duquesne Light transmission system. Duquesne Light is not located within the PJM Interconnection footprint and operates under a traditional regulatory environment where bilateral contracts with merchant generators and cogeneration facilities are recovered through cost of service filings with the state commission. West Penn Power is a transmission owner within the PJM Interconnection and as such can use Beaver Valley as a capacity resource in the PJM capacity market and sell power into PJM. Beaver Valley should not be exposed directly to any regulatory intervention from either the PJM Regional Transmission Organization or from the state commission.



Chigen

DESCRIPTION AND STATISTICAL INFORMATION

MW	Commencement/ Acquisition	Dominant Fuel	Region	Location	Business Line	AES Equity Interest
2,839	1996-2001	Varied- primarily coal	Asia	China	Contract Generation	25%-71%

AES Chigen Generating Co. Ltd. ("Chigen") wholly-owned by AES, is a holding company which owns a 25% to 71% equity interest in seven electric power generation projects in mainland China. Chigen's equity interest in these projects amounts to an equivalent capacity of 909MW out of an aggregate of 2,839MW.

The two largest projects, Jiaozuo and Yangcheng, together account for more than 75% of Chigen's net capacity ownership and are expected to contribute significantly to the financial results of Chigen.

Chigen's operating strategy changed in mid-1998, from using the company as an investment vehicle for new power project development in mainland China, to focusing on the operation of its existing project portfolio.

(Dollars in Millions)	2000	2001	2002
Revenues	75.2	69.5	77.2



Jiaozuo

THE PHYSICAL ASSETS

Located in six provinces and a municipality, the Chigen projects range in size from 26MW to 2,100MW, and are operated mostly by cooperative project joint venture companies. AES has O&M control over Aixi, Cili, Chengdu and Jiaozuo, but not over Hefei, Wuhu and Yangcheng. Project partners at the national level include China Power International Holdings Ltd, North China Electric Power Group Corporation, Jiangsu Province Investment Corporation, and Shanxi Provincial Power Company. Plants in the Chigen portfolio include the following:

Aixi is a 50MW coal-fired circulating fluidized bed plant located in Nanchuan, Chongqing Municipality. Commercial operation began in 1998. Aixi has a PPA with Chuandong Power Corp. which expires in 2023. Aixi is 71% owned by Chigen.

Chengdu is a 48MW gas-fired plant located in Chengdu, Sichuan Province. Construction began in 1996 and the plant is now operational. Chengdu has a PPA with Chengdu Power Bureau which expires in 2011. Chigen owns 35% of Chengdu.

Cili is a 26MW plant located in Cili County, Hunan Province. Cili has short-term contracts with Zhangjiajie Electricity Bureau and Hunan Electricity Corp, which have been renewed on an annual basis since 2000. The contract renewal is expected in the fourth quarter of this year. Chigen acquired Cili in 1994 and owns 51% of Cili.

Hefei is a 115MW oil-fired combined cycle plant located in Hefei, Anhui Province. Hefei was acquired in 1996 and full commercial operation began in August 1997. Hefei has a PPA with Anhui Provincial Electric Power, which expires in 2012. and is 70% owned by Chigen.

Jiaozuo is a 250MW coal-fired plant located in Jiaozuo, Henan Province. Full commercial operation began in August 1997. Jiaozuo has PPAs with Henan Power Company and Jiaozuo Wanfang Aluminium, which expire in 2019. Chigen owns 70% of Jiaozuo.

Wuhu is a 250MW coal-fired plant located near Wuhu, Anhui Province. Chigen acquired Wuhu in 1996. Wuhu has a PPA with Anhui Provincial Electric Power, which expires in 2016. Chigen owns 25% of the project.

Yangcheng is a 2,100MW coal-fired mine-mouth plant located in Yangcheng, Shanxi Province. Chigen acquired 25% of Yangcheng in 1997. The first four units entered commercial operations in 2001 and the remaining two units entered commercial operations in 2002. Yangcheng has a PPA with Jiangsu Power, which expires in 2016. The company is currently paid a temporary tariff and is awaiting approval of a final tariff.

SALES AND OPERATIONS

Chigen's early market entry in mainland China in 1993 enabled the company to obtain favorable terms on its power project investments. The Chigen power purchase agreements (PPAs) are structured to recover fixed capital costs and to pass on increases in fuel, operating and maintenance, and foreign exchange conversion costs to the offtakers, usually provincial or municipal power bureaus, which may also be one of the joint venture partners. The duration of the PPAs generally coincides with the length of the joint venture. The contracts typically include yearly minimum offtake hours, which provide a basis for determining the tariff rate in accordance with the return requirement.

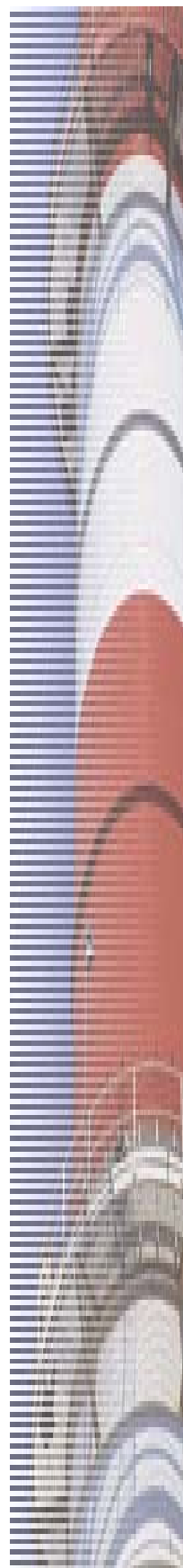
REGULATION AND MARKETS

The regulatory framework of the power industry in China has been evolving through phases of reform. The current phase is designed to unbundle the electricity supply system as a means to cut costs and raise efficiency. The reform agenda includes restructuring State Power Corp. assets to unbundle generation from transmission and distribution, reviewing the tariff mechanism and improving the regulation of the industry through the creation of a new regulator, State Electricity Regulatory Commission (SERC).

Thus far, the unbundling of generation assets from the grid has been completed and the grid has been divided into two regional transmission and distribution companies.

The goal of the tariff restructuring is to create a plant tariff structure incorporating on-grid tariffs, transmission and distribution tariffs and retail tariffs. It is likely that SERC will set transmission and distribution charges, while on-grid tariffs will be determined by a power pool price and a capacity component. However, it is expected that the PPAs of foreign IPPs will be protected.

The power industry in China has been shifting from serious power shortages to a situation of fairly balanced power demand and supply. Accompanying this trend has been the rapid growth of competitive local power developers, availability of affordable domestic financing and a dearth of minimum offtake contracts for new projects. This has resulted in the wearing away of the preferred status of foreign power developers. Despite these developments, Chigen continues to experience growth as a result of the steadily increasing demand for electricity in mainland China.



Ebute

DESCRIPTION AND STATISTICAL INFORMATION

MW	Commencement/ Acquisition	Dominant Fuel	Region	Location	Business Line	AES Equity Interest
290	2001	Gas	Europe/ Africa	Nigeria	Contract Generation	95%

Ebute is a 290MW natural gas-fired generation plant located on barges in Ebgin, Lagos, Nigeria. Construction began in October 2000 and limited commercial operations began in July 2001 as the barges were gradually put on line.

The EPC contract is the responsibility of Turbine Technology Services (TTS). All TTS obligations are guaranteed by its Parent company Teleflex Inc.

AES acquired 30% of this facility in September 2000 and increased its ownership to 95% in December 2000.

(Dollars in Millions)	2000	2001	2002
Revenues	0.0	15.0	48.9



Ebute

THE PHYSICAL ASSETS

The facility utilizes nine GE frame 6B gas fired simple cycle barge mounted units, an evaporative type desalination plant, and a de-ionization plant of the E-Cell type. The purified water is used for water washing the gas turbine compressors and for water injection to lower the NOx emissions of the plant.

SALES AND OPERATIONS

Electricity Sales: Ebute sells electricity to the National Electric Power Authority (NEPA) under a 13.25 year power purchase agreement (PPA) effective from October 2001 and expiring in 2014. Under the PPA, following privatization of NEPA, Lagos State will become the purchaser of power. The Federal Government of Nigeria is the guarantor of all the payment obligations of NEPA and Lagos State. The business also benefits from a \$60M Letter of Credit which is in place to back the Purchaser's payment obligations under the PPA. Ebute receives a fixed capacity payment under the PPA having no escalation provisions.

Fuel Supply: Fuel is supplied at no cost by NEPA under the PPA until privatization. Under the PPA, following privatization of NEPA a fuel supply contract will need to be arranged under which all energy costs will be passed through to the purchaser (Lagos State).

O&M Operator: Ebute is operated by a subsidiary of AES.

REGULATION AND MARKETS

Ebute is a contract generation business whose PPA expires in 2014. Accordingly the business is not currently subject to market pricing for its output. Nigeria faces a serious energy crisis due to declining electricity generation from domestic power plants. Power outages are frequent and the power sector operates well below its estimated capacity. The power system suffers from low generating plant availability and high outages on the transmission and distribution networks. Currently, only 10% of rural households and approximately 40% of Nigeria's total population have access to electricity. The government plans to boost this share to 85% by 2010.

With the assistance of the World Bank and the involvement of private sector participants, Nigeria plans to expand its electric generation, transmission, and distribution systems, with the medium-term goal of reaching 10,000MW in generating capacity by June 2005. In parallel, major efforts are underway to enhance revenue generation and operational efficiency by improving the billing and collection systems.

The National Electric Power Authority (NEPA) was created in 1972 as the vertically-integrated utility responsible for the power sector in Nigeria. Under the current plan for sector reform, the privatization of NEPA is scheduled to begin in late 2003. Prior to its privatization, the government intends to unbundle NEPA into 18 companies (6 generation, 1 transmission and 11 distribution corporate entities).

In the medium term (3-5 years), the sector would consist of:

- 1) The Nigerian Electricity Regulatory Commission (NERC), independent from the Government with an independent source of funding. NERC will have decision-making powers on key aspects of technical and economic regulation, such as tariff regulation, approval of capacity expansion plans, oversight of quality of service, service obligation, and competition. NERC will issue licenses to companies operating in the sector and will regulate wholesale and retail electricity tariffs and prices.
- 2) Competing privately-owned and operated generation companies (both from privatized NEPA facilities as well as new generation capacity under IPP arrangements).
- 3) A single transmission and system operation company (TransysCo) with responsibility for (i) transmission of electricity on an open-access basis with regulated transmission tariffs, (ii) system operation and dispatch, (iii) management of the power trade settlement system. The TransysCo will neither buy nor sell electricity nor have any ownership in generation, distribution or sales companies.
- 4) A number of distribution companies, if possible all privately owned, with no right to own generation assets.
- 5) A special purpose entity (SPE) is to be created as an interim arrangement with the mandate to take over some of NEPA's liabilities after unbundling. This is intended to help ensure that unwarranted liabilities are not passed on to the TransysCo.



Gener

DESCRIPTION AND STATISTICAL INFORMATION

MW	Commencement/ Acquisition	Dominant Fuel	Region	Location	Business Line	AES Equity Interest
3,400	2000	Hydro/Coal/Gas	South America	Chile	Contract Generation	49-99%

Gener's primary market is Chile, where the company is the second largest electricity generation group totaling 1,452MW.

In addition, Gener has a 644MW combined cycle gas-fired unit (TermoAndes) in Northern Argentina which wheels electricity into the Northern Chilean grid. The company also owns Chivor, a 1,000MW hydroelectric facility located in Colombia. Additionally, Gener owns 50% of Guacolda, a 304MW coal-fired plant operating in Chile. AES acquired a controlling position in Gener in late 2000 and increase its holding to 98.65% in early 2001.

(Dollars in Millions)	2000	2001	2002
Revenues	0.0	445.5	410.0



TermoAndes

THE PHYSICAL ASSETS

Gener's 1,452MW in Chile includes Cordillera, a 245MW hydro facility; Costa, a 512MW coal/fuel oil facility; Electrica de Santiago, a 379MW gas facility; Energia Verde, a 39MW biomass facility; Norgener, a 277MW coal/fuel oil facility.

Significant plants, but not all, in the Gener portfolio include:

Norgener is a 277MW thermoelectric coal/fuel oil fired plant located in the city of Tocopilla, Chile. It utilizes two Mitsubishi steam turbines and boilers that commenced commercial operations in 1995 and 1997, respectively. Norgener sells a large part of its capacity to industrial customers (copper mines) under long-term contracts. Norgener maintains two PPAs with Escondida Mining Co. of 110MW and 62MW due in 2007 and 2008 respectively. Norgener is 99.9% owned by Gener.

Electrica Santiago S.A. (ESSA) is a 379MW gas fired facility located in Santiago, Chile. Its two units utilize General Electric 9FA and 270T turbine generators. This facility began commercial operations in 1998. ESSA has three PPAs: 220MW 14 year contract with Gener to supply Chilectra that commenced in September 1996; 55 MW 8 year contract with Codelco's Andina division that commenced in April 1997 and expires in 2005; and 40MW 2 year contract with ENAMI (Ventanas) that commenced in January 2001 and expires in 2005. Surplus capacity is sold into the spot market. In 1997, ESSA entered into a 16 year take-or-pay gas agreement with Consorcio Sierra Chata. ESSA is 90% owned by Gener.

Guacolda is a 304MW coal fired facility located 440 miles north of Santiago, Chile. It uses two units that began commercial operations in 1995 and 1996, respectively. The company has over 90% of its capacity contracted with mining companies and a distribution company. Guacolda is 50% owned by Gener.

TermoAndes is a 644MW combined-cycle natural gas fired generating facility located in the Salta province of Argentina.

InterAndes is a 345kilovolt transmission line operated by InterAndes in Argentina and by Gener in Chile. TermoAndes uses two Siemens gas turbines and TermoAndes began commercial operations in April 1999. All capacity and energy generated is contracted to be sold to Gener starting January 1999 and ending December 2025. The energy price is fixed and capacity price is variable (calculated to cover TermoAndes' costs), and the transmission price is equal to InterAndes transmission toll. TermoAndes has take-or-pay gas supply contracts with YPF, Tecpetrol, Mobil, CGC, Ledesma, which commenced in January 1999 and expires in December 2010. TermoAndes / InterAndes is 99.99% owned by Gener.

Chivor is a 1,000MW hydroelectric facility comprised of eight 125MW units located 160km northeast of Bogotá, Colombia. Its two units utilize Riva Calzoni turbines and Toshiba generators and began commercial operations in two stages, beginning 1977 and 1982. Chivor sells nearly 50% of its electricity under contracts that average 12-18 months in length. The remainder is sold directly into the spot market. Chivor emerged from bankruptcy with a refinancing plan that was approved by the bankruptcy court in August 2002. This facility is 99.9% owned by Gener.

SALES AND OPERATIONS

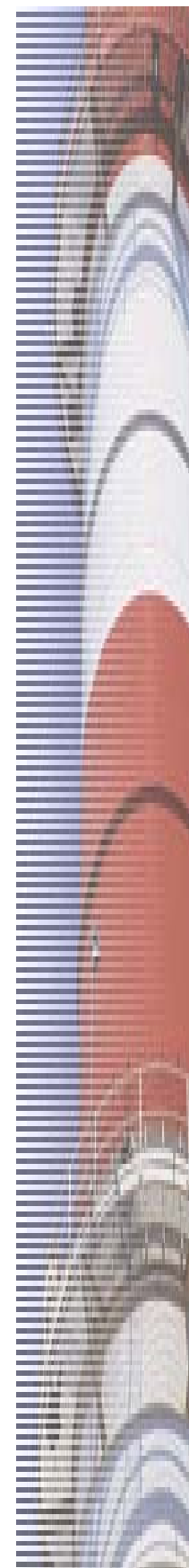
Electricity Sales: Gener sells electricity under power purchase agreements (PPAs) at the plant level. The PPAs at Gener represent about 85% of its 1500 MW capacity (excluding Chivor, TermoAndes and Guacolda). Most of these contracts run through 2010 and provide some revenue stability in that Gener will use its own capacity to satisfy contracts if its plants are dispatched, or it will buy capacity from the spot market when those prices are lower than its costs. PPA revenues from two Chilean distribution companies Chilectra S.A. and Chilquinta Energía S.A. represented 22.5% and 9.6%, respectively, of Gener's consolidated operating revenue in 2002. In the Central Interconnected System, electricity is primarily generated from hydro plants whose levels of operation are highly dependent on hydrological conditions. Gener's thermoelectric facilities represent a secure source of electricity supply in periods of water shortfall. The thermal-based Northern Interconnected System is oversupplied and this exerts pressure on prices and limits the dispatch of new projects like TermoAndes. This is mitigated in part through sales under long-term contracts at favorable prices.

Fuel Supply: Gener has fuel supply agreements with PT-ARUTMIN expiring in August 2004, Solid Energy expiring in May 2004 and Pragma Energy expiring in September 2004.

O&M Operator: Gener plants are operated and maintained by subsidiaries of AES, with the exception of ESSA where O&M is provided by SIGEN, a subsidiary of General Electric.

REGULATIONS AND MARKETS

Gener is a contract generation business whose PPAs run through in 2010. Accordingly the business is not currently subject to market pricing for its output. The electricity sector in Chile operates under Decreto Fuerza Ley 1 (Ley General de Servicios Electricos) issued in 1982. Its regulatory framework seeks to optimize the efficiency of the system, to promote competition and to benefit consumers in terms of rates and services. The Ministry of Economy (MEFR) provides the regulatory structure for the industry through the Superintendencia de Energía y Combustibles (SEC) and the Comisión Nacional de Electricidad (CNE). The SEC monitors compliance with industry laws and regulations, quality of service and safety of facilities. The CNE has responsibility for sector policies, strategy, technical norms and tariff calculation. The system dispatcher is the Economic Load Dispatching Center (CDEC). Chile has four electricity systems; the major two interconnected systems are the Central Interconnected System (SIC) and the Northern Interconnected System (SING), which cover almost 97% of the population of the country. Under the regulatory framework generation companies can sell electricity to regulated customers at the node price, to nonregulated customers at a freely negotiated price, and to other generators at the spot price. Node prices for energy in the SIC and the SING are calculated on the basis of projections of the expected marginal costs within the system over 24 to 48 months. Node prices for capacity are based on the marginal investment required to meet peak demand, based on the cost of a diesel-fired turbine. To maintain a link between the node price and the free market price, the law allows for an adjustment of the node price to fall within a 10% band of the system average free market price. In 1999, a law was passed which obliges generators to meet their contracted sales with regulated customers in all circumstances (including drought and force majeure). This law served as a significant obstacle to new entrants. The CNE is working to overhaul the current regulations to offset its negative effects. In May 2002, the Ministry of Economy, Development and Reconstruction sent to Congress a bill known as the "Ley Corta" or "Short Law". This bill proposes amendments to the existing Electricity Law, principally in relation to tolls charged for the use of high voltage and distribution transmission systems, the determination of the bands between unregulated and regulated prices and the pricing mechanism for medium-sized electric systems. Since the proposed amendments were submitted to Congress in May 2002, numerous discussions have been held both within the government and with the private sector regarding the proposal, particularly with regard to the transmission related issues. The government has indicated that the original proposal will be modified in some manner, but no definitive new proposal has been revealed. Thus, the effect of these proposed changes on the Company is still uncertain.



Hawaii

DESCRIPTION AND STATISTICAL INFORMATION

MW	Commencement/ Acquisition	Dominant Fuel	Region	Location	Business Line	AES Equity Interest
189	1992	Coal	North America	USA	Contract Generation	100%

Hawaii is a 189MW coal fired circulating fluidized bed (CFB) cogeneration plant located in Kapolei, Oahu, Hawaii. The plant is a Qualified Facility (QF) under the Public Utility Regulatory Policies Act (PURPA).

The facility utilizes a Toshiba turbine generator and Pyro Power CFB boilers. Construction of the project began in September 1990 and operations commenced in September 1992. Hawaii is 100% owned by AES.

(Dollars in Millions)	2000	2001	2002
Revenues	125.1	131.0	131.2



Hawaii

THE PHYSICAL ASSETS

The facility utilizes a Toshiba turbine generator and Pyro Power (Foster Wheeler) CFB boilers. Hawaii is one of six AES cogeneration plants that are defined as qualifying facilities (QFs) under PURPA.

SALES AND OPERATIONS

Electricity Sales: Hawaii sells electricity to the Hawaiian Electric Company (HECO) under a 30 year power purchase agreement (PPA) effective 1992. Payments by HECO under the PPA are broken into capacity, energy and O&M payments. Capacity payments are fixed payments based on plant availability. The energy and O&M payments are based on the plant's output and are escalated for inflation on the basis of a GNP index set forth in the PPA. As part of the recent refinancing at Hawaii, which closed July 30, 2003, the PPA was amended to provide HECO and ultimately the rate payers a rate reduction in the capacity payment of \$0.0019/kWh, which equates to approximately \$2.9M/year. The PPA amendment became effective retroactively as of June 01, 2003.

Steam Sales: In order to maintain its QF status, Hawaii sells steam to Chevron USA under a 20 year steam sales agreement expiring in 2012.

Fuel Supply: Hawaii had a fuel supply agreement with PT Kaltim Prima Coal and Sprague Energy Corp effective through 2007. As a result of the recent refinancing which closed July 30, 2003, Hawaii and the fuel supplier terminated the old fuel supply agreement and entered into a new agreement based on current market rates. The price escalates at a fixed rate through September 2007. Post September 2007, Hawaii will contract 70% of its fuel supply needs for a minimum period of 12 months, the remaining 30% will provide Hawaii with the flexibility in the market.

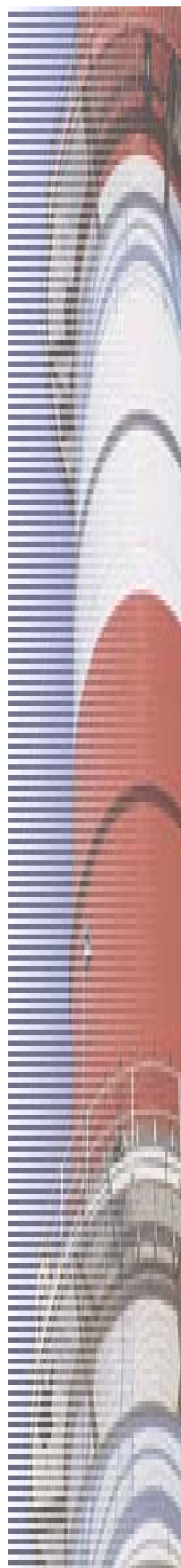
O&M Operator: Hawaii is operated by a subsidiary of AES Corp.

REGULATION AND MARKETS

Hawaii is a contract generation business whose PPA expires in 2022. Accordingly the business is not currently subject to market pricing for its output. There is no wholesale electricity market in Hawaii, and the Federal Energy Regulatory Commission (FERC) has no jurisdiction. The State Public Utilities Commission has authority over utilities and the rates they charge. The structure of the industry is a traditional cost of service structure in a regulated environment. Sales of power would be made to utilities supplying native load customers or through any cogeneration opportunities.

HECO and its operating subsidiaries, Maui Electric Company, Limited (MECO) and Hawaii Electric Light Company, Inc. (HELCO) are regulated electric public utilities providing the only electric public utility service on the islands of Oahu, Maui, Lanai, Molokai and Hawaii. HECO, HELCO and MECO supply 95% of Hawaii's residents and employ about 2,000 people. HECO is a wholly owned subsidiary of Hawaiian Electric Industries.

HECO serves approximately 281,000 customers on Oahu and has firm generating capacity of 1,669MW. HELCO and MECO have 265MW and 273MW of firm capacity, and serve 65,000 and 59,000 customers respectively.



Hungary

DESCRIPTION AND STATISTICAL INFORMATION

MW	Commencement/ Acquisition	Dominant Fuel	Region	Location	Business Line	AES Equity Interest
1,281	1996	Natural Gas/ Coal	Europe/ Africa	Hungary	Cont. Gen/Comp. Supply	100%

AES Hungary is a conglomerate of three thermal power plants totaling 1,281MW and a deep coal mine located in the northeast region of Hungary.

AES acquired a controlling interest in the portfolio in 1996, through the purchase of 94% share of Tisza Eromu Rt., an electric generation company in Hungary. Subsequently, AES increased its ownership to 100%.

(Dollars in Millions)	2000	2001	2002
Revenues	176.5	175.0	196.1



Tisza II

THE PHYSICAL ASSETS

Tisza II is a 860MW multiple fuel (mainly natural gas with oil as a backup) facility in Tiszaújváros, Hungary. It utilizes four units with Babcock/SES boilers and BBC/LÁNG turbines. Commercial operations began between 1977 and 1978. Tisza II sells electricity to the Magyar Villamosmuvek Rt. (MVM) under a 20 year PPA that will expire in 2016. Tisza II has a long-term fuel supply agreement with Magyar Olaj és Gazipari Tr. (MOL) Rt for hydrocarbon that will expire in 2016. Tisza II has begun work on a retrofit project, which will extend the life of the station, increase efficiency, reduce emissions and allow the four units to continue to sell power under the PPA. Tisza II is 99.98% owned by AES.

Borsod Ltd includes Borsod Power Plant, Tiszapalkonya Power Plant and Lyukóbánya coal mine, which supplies coal to Borsod and Tiszapalkonya.

Tiszapalkonya is an old 250MW coal-fired power plant located on the bank of the River Tisza near the town of Tiszaújváros, Hungary. Commercial operations began between 1957 and 1959. Tiszapalkonya sells electricity to the utility wholesaler MVM and to the liberalized market and recently started to generate renewable electricity. The plant also sells steam to the neighboring chemical factory, TVK, and oil refinery, MOL. All contracts will expire at the end of 2003. The plant is in the process of converting to burn high quality black coal and biomass. The operation license of the facility is valid until 2011 and Tiszapalkonya has successfully tested the burning of these fuels. The business is seeking to extend the PPA beyond 2003 for one or more year

Borsod is a 171MW coal fired facility in Kazincbarcika, Hungary. The plant originally utilized 10 MHD boilers. Three have been scrapped. The plant originally utilized 9 Lang turbines. Two have been scrapped and four are currently in use. Commercial operations commenced in 1954. In February 2003, Borsod was the first power plant in Hungary to enter the liberalised market which had opened a month before. An agreement with the Hungarian Independent System Operator was signed which provides Borsod with compensation for losses on the National Grid. Borsod has a five-year PPA with MVM on renewable electricity sale expiring in December 2007, a steam supply agreement, a demin water supply agreement and an electricity supply agreement with the chemical company BC Rt. The plant is in the process of converting to a biomass facility. The operation license of the facility has been extended until 2014 and Borsod has successfully tested the use of sawdust and fine wood chips.

SALES AND OPERATIONS

Electricity Sales - Tisza II: The price paid by MVM includes both capacity payments and energy payments. As the variable cost of power generation is a pass-through, Tisza II bears neither fuel price nor volume risk. Base capacity fees are set in Hungarian Forints for the duration of the PPA, with yearly adjustments for local inflation. With annual revenues of roughly \$100M, Tisza II is by far the largest AES business in Hungary.

Electricity Sales - Borsod , Tiszapalkonya: The price paid by MVM to Tiszapalkonya includes capacity and energy payments. The Borsod contract is based on a single energy fee. Tiszapalkonya's PPA extends through December 2003 and the business is seeking to extend the PPA for one year or more. When the two plants convert to biomass, they will not need PPAs, because MVM is obliged to purchase all power generated from biomass/renewables plants.

Fuel Supply: Fuel costs at Tisza II are a pass-through reflected in the energy payments received, providing the business a natural hedge on its commodity risk. Borsod has 10 years renewable fuel supply agreements, where the fuel price is indexed to the electricity price, market fuel price and the Hungarian inflation index. About 70% of Tiszapalkonya fuel is provided by the Lyukóbánya coal mine. The other 30% is sourced from different suppliers, based on annual fuel supply agreements.

O&M Operator: The plants are operated by subsidiaries of AES.

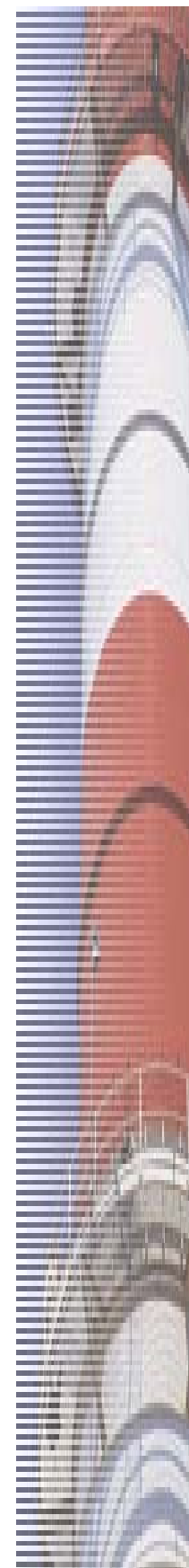
REGULATION AND MARKETS

The official energy policy of the government of Hungary has a series of objectives which include: developing diverse energy supplies and eliminating the country's dependence on imports from the Former Soviet Union; improving environmental protection; increasing energy efficiency through modernization of supply structures and improvement in the management of electricity consumption and attracting foreign capital for investment in capital-intensive energy projects.

The 1999 energy plan indicates a movement toward cleaner technologies, including emissions controls for coal-fired generation and eventual replacement of some coal-fired power plants with gas turbines. The 2001 Electricity Act brings the Hungarian electricity market into accord with EU directives in terms of third party access to the electricity grid and removal of subsidies, and defines a market structure that includes electricity generation companies, electricity distributors, power traders, and an electricity grid operator.

A company owned by MVM operates the electricity grid and is the dominant exporter, importer and wholesaler of electricity. MVM owns and operates the high voltage transmission grid and dispatch centre. MVM purchases power from electricity generating companies and sells it to smaller distribution companies. A gradual introduction of competition has begun in the electricity market. Since January 1, 2003, the 200 largest industrial users, constituting about 35% of total consumption, are allowed to choose their electricity suppliers. Third party access to the grid has begun, and independent power suppliers are now allowed to "wheel" power through the grid, though the grid operator is allowed to add a transport/access tariff. This competitive market is expected to eventually result in a rate decrease of as much as 15% for customers. One effect of this liberalization plan is the creation of two parallel markets for electricity. The transitional public utility market will still have an official price for electricity, with MVM as the wholesaler; this will cover the 65% of the market not initially affected by the first stage of market liberalization, and will gradually diminish as the competitive market expands. The public utility market should entirely disappear no later than 2010.

Preliminary plans call for a major changeover from coal power plants to gas turbines over the next three or four years. Under these plans, there would eventually be only one coal power plant left, the Matra plant in the north of Hungary. This is a lignite mine-mouth plant that currently produces 13% of Hungary's electricity. Under Hungary's policies, the cost of rehabilitating the land previously used for coal mining for a plant will be included in the price of electricity. Integration of steam coal-producing mines to power companies mostly took place prior to the first wave of privatization in 1995.



Kilroot

DESCRIPTION AND STATISTICAL INFORMATION

MW	Commencement/ Acquisition	Dominant Fuel	Region	Location	Business Line	AES Equity Interest
520	1992	Coal	Europe/ Africa	UK	Contract Generation	97%

Kilroot is a 520MW dual oil/coal-fired generation plant located in Carrickfergus, Northern Ireland. The facility utilizes two GEC 300MW Turbines and two ICL steam boilers.

Kilroot began operations in 1981 and was acquired by AES in a privatization purchase in 1992. Kilroot is 97.25% owed by AES.

(Dollars in Millions)	2000	2001	2002
Revenues	62.0	149.1	144.8



Kilroot

SALES AND OPERATIONS

Electricity Sales: Kilroot sells electricity to Northern Ireland Electricity (NIE) under Generating Unit Agreements (GUA) which expire in 2024. The regulator can cancel the contract any time after 2010, with six months prior notice. Capacity payments are based on the declared availability of the plant. Capacity and energy payments escalate with inflation and are subject to a pass-through of coal costs.

Fuel Supply: The GUAs allow for a pass-through of energy costs, subject to indexation variations and efficiency targets. A coal and oil supply contract was entered into with AEP in January 2002 and expires in December 2004. The objective of the contract is to secure the supply of all of Kilroot's requirements for coal and oil over the term of the contract at price levels substantially matched by the indexed coal and oil prices payable under the GUAs.

O&M Operator: Kilroot is operated by a subsidiary of AES.

REGULATIONS AND MARKETS

Kilroot is a contract generation business whose PPA expires in 2024. Accordingly the business is not currently subject to market pricing for its output. The Northern Ireland Authority for Energy Regulation (NIAER) was established under Article 3 Part II of the Energy (Northern Ireland) Order 2003. Most of the functions of the Directors General of Electricity Supply and Gas for Northern Ireland were transferred to the NIAER on 1 April 2003. The Office for the Regulation of Electricity & Gas, (OFREG), is an independent public body set up to monitor the electricity and gas industries in Northern Ireland. OFREG is the official face of the NIAER.

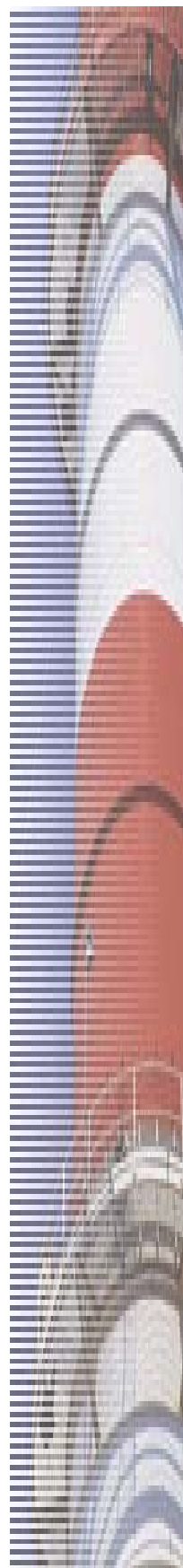
OFREG supports the Director General of Electricity Supply for Northern Ireland and the Director General of Gas for Northern Ireland. Electrical duties include promoting competition in the electricity industry, protecting electricity consumers, and arbitrating in disputes between consumer and supplier. Its gas duties include promoting the development and maintenance of an efficient economic and coordinated gas industry in Northern Ireland and protecting the interests of gas consumers.

REGULATIONS AND MARKETS (cont.)

OFREG continues to implement the process of electricity market liberalization begun in 1999 when the European Directive on the IEM came into force. The directive required significant changes to be made to the electricity trading arrangements in place in Northern Ireland. The directive was intended to promote an internal electricity market in Europe leading to price convergence across the member states by promoting structural changes to encourage competition.

The directive required a phased liberalization from 26.4% of demand in 1999 to 35% of demand by 2003. Northern Ireland achieved its target level in April 2001. The liberalization allows customers which comprise the first 35% of total electricity demand in Northern Ireland to have a choice of retail supplier and wholesale generation provider. These customers thereby bypass the wholesale generation tariff (the Bulk Supply Tariff) established at privatization and charged to all other customers.

There are approximately 400 customers who have become eligible to choose their electric supplier. Trading is on a bilateral contract basis. The peak demand of these consumers is approximately 400MW. This will rise as the liberalization process evolves. Currently, there is no competitive un-contracted indigenous generation available. All independent energy traded is imported via interconnectors. The wholesale markets are based on the ability to use bilateral contracts.



Lal Pir

DESCRIPTION AND STATISTICAL INFORMATION

MW	Commencement/ Acquisition	Dominant Fuel	Region	Location	Business Line	AES Equity Interest
351	1997	Oil	Asia	Pakistan	Contract Generation	90%

Lal Pir is a 351MW heavy fuel oil-fired generation plant located near Mahmud Kot, Muzaffargarh, Pakistan. The facility utilizes Mitsubishi Heavy Industries boiler and turbine and Parson generators.

This greenfield project was initiated as a result of the Private Power Policy (March 1994) of the Government of Pakistan. Commercial operations began November 6, 1997. AES owns 90% and the IFC owns 10% of Lal Pir.

Lal Pir shares the plant site and related infrastructure with Pak Gen.

(Dollars in Millions)	2000	2001	2002
Revenues	96.1	96.1	94.5



Lal Pir

SALES AND OPERATIONS

Electricity Sales: Lal Pir sells electricity to the Pakistan Water and Power Development Authority (WAPDA), the state-owned utility, under a 30 year power purchase agreement (PPA). The PPA has been in effect since November 1997 and will expire in November 2027. The energy price consists of a fuel cost component, a variable O&M component and an energy purchase price premium. The capacity price consists of a non-escalable component and a component that escalates against exchange rate variations of the rupee to dollar and US inflation rates. The tariff is comprised of capacity payment and energy payment (including O&M). The agreement indexes the rupee to the US dollar and Japanese yen in proportion to the currencies comprising the capital structure of the project to protect the cash flows from currency fluctuations and devaluations.

The government of Pakistan executed Implementation Agreement, which guarantees currency convertibility, and the obligations of WAPDA and Pakistan State Oil (PSO) under the PPA and fuel supply agreements.

Fuel Supply: Fuel is a pass-through under the PPA, adjusted for fluctuations over/under the PPA heat rate of 8,920btu/kwh. Under a 30 year fuel supply agreement effective November 1997, PSO supplies heavy fuel oil to the plant. Liquidated damages for failure to provide fuel are payable by PSO to the project equal to lost capacity payment and liquidated damages payable by the projects to WAPDA.

O&M Operator: Lal Pir is operated by a subsidiary of AES.

REGULATIONS AND MARKETS

Lal Pir is a contract generation business whose PPA expires in 2027. Accordingly the business is not currently subject to market pricing for its output. The government of Pakistan has exclusive responsibility for generation, transmission, distribution and retail sale of electricity in Pakistan, through the Federal Ministry of Water and Power. The two public energy producers and distributors are the Karachi Electricity Supply Corporation (KESC), which serves the Karachi area, and WAPDA which serves the rest of the country. KESC was incorporated in 1913 and the government took control of the corporation by acquiring majority share holdings in 1952.

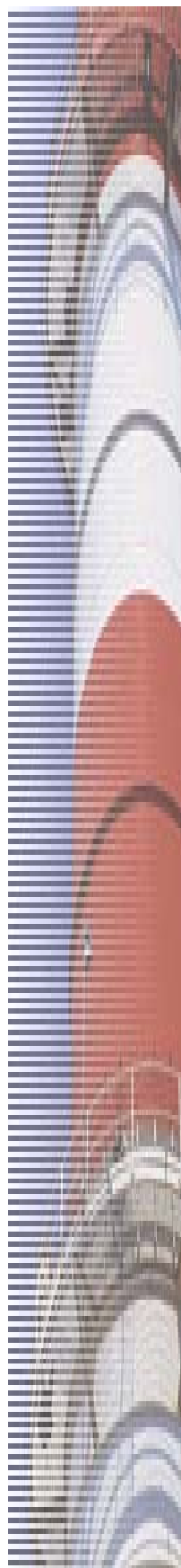
The government has implemented a liberalization and privatization policy whose impetus comes largely from the negative experience of state-owned enterprises. The policy is aimed at promoting market-based, private sector-led growth. The privatization commission is currently in the process of privatizing KESC. Bidding from interested parties has yet to take place.

Since 1999, WAPDA has been restructured into twelve public limited companies: three generation companies; one transmission company; and eight distribution companies. WAPDA's objectives include managing its twelve companies for their transition towards a corporate and commercial operating environment and developing the framework for a competitive modern power sector for cost effective operations for the provision of affordable electric power to customers.

WAPDA has 500kV, 220kV, 132kV, 66kV, and 33kV lines on its transmission system which links lower generating stations and load centers of the entire country creating one of the world's largest contiguous grid system. The national grid consists of a large network of transmission lines and grid stations of voltage levels from 500kV to 33kV to transmit power to load centers throughout the country to serve over ten million consumers of various categories.

Current Developments

During March 2003, AES announced an agreement to sell an approximately 32% ownership interest in AES Oasis Limited (AES Oasis). AES Oasis is a newly created company that will own two electric generation development projects and desalination plants in Oman and Qatar (AES Barka and AES Ras Laffan, respectively), the oil-fired generating facilities, AES Lal Pir and AES Pak Gen in Pakistan, as well as future power projects in the Middle East. During the second quarter of 2003, the parties agreed in principle to alter the structure of the transaction to exclude AES Ras Laffan, the Company's electric project and desalination plant in Qatar, and to offer for sale approximately 39% of our ownership interest in the revised AES Oasis entity. Completion of the sale as contemplated under the agreement is subject to certain conditions, including government and lender approvals that must be met and obtained prior to October 31, 2003, on which date the Oasis Stock Purchase Agreement would terminate. There can be no assurance that the sale will ultimately be completed. At the time of closing, AES will receive cash proceeds of approximately \$150 million.



Pak Gen

DESCRIPTION AND STATISTICAL INFORMATION

MW	Commencement/ Acquisition	Dominant Fuel	Region	Location	Business Line	AES Equity Interest
344	1998	Oil	Asia	Pakistan	Contract Generation	90%

Pak Gen is a 344MW heavy oil-fired generation plant located near Mahmud Kot, Muzaffargarh, Pakistan. The facility utilizes Mitsubishi Heavy Industries boiler and turbine and Parson generators.

This greenfield project was initiated as a result of the Private Power Policy (March 1994) of the Government of Pakistan. Commercial operations began on February 1, 1998. AES owns 90% and the IFC owns 10% of Pak Gen.

Pak Gen shares the plant site and related infrastructure with Lal Pir.

(Dollars in Millions)

	2000	2001	2002
Revenues	136.6	134.4	131.0



Pak Gen

SALES AND OPERATIONS

Electricity Sales: Pak Gen sells electricity to the Pakistan Water and Development Authority (WAPDA), a state-owned utility, under a 30 year power purchase agreement (PPA). The energy price consists of a fuel cost component, a variable O&M component and an energy purchase price premium.

The capacity price consists of escalable & non-escalable components. The escalable component covers fixed O&M and returns which are indexed to the US dollar and US CPI. The non-escalable component covers debt servicing and is indexed against exchange rate variations of the rupee to dollar / yen. The agreement indexes the rupee to the US dollar and Japanese yen in proportion to the currencies comprising the capital structure of the project to protect the cash flows from currency fluctuations and devaluations. The government of Pakistan executed an implementation agreement, which guarantees currency conversion/convertibility and the obligations of WAPDA and Pakistan State Oil (PSO) under the PPA and fuel supply agreements. The PPA has been in effect since 1998 and will expire in 2028.

Fuel Supply: Fuel price is a pass-through under the PPA, adjusted for fluctuations over/under the PPA heat rate of 8920btu/kwh. However, any deviation from PPA heat rate of 8920btu/kWh is on our account. Under a 30 year fuel supply agreement executed September 1995, PSO supplies heavy fuel to the plant. Liquidated damages for failure to provide fuel are payable by PSO to the project equal to lost capacity payment and liquidated damages payable by the project to WAPDA.

O&M Operator: Pak Gen is operated by a subsidiary of AES.

REGULATIONS AND MARKETS

Pak Gen is a contract generation business whose PPA expires in 2028. Accordingly the business is not currently subject to market pricing for its output. The government of Pakistan has exclusive responsibility for generation, transmission, distribution and retail sale of electricity in Pakistan through the Federal Ministry of Water and Power. The two public energy producers and distributors are the Karachi Electricity Supply Corporation (KESC), which serves the Karachi area, and WAPDA which serves the rest of the country. KESC was incorporated in 1913 and the government took control of the corporation by acquiring majority share holdings in 1952.

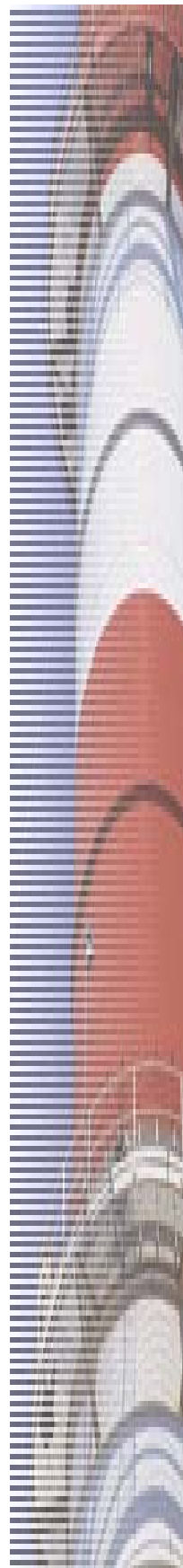
The government has implemented a liberalization and privatization policy whose impetus comes largely from the negative experience of state-owned enterprises. The policy is aimed at promoting market-based, private sector-led growth. The privatization commission is currently in the process of privatizing KESC. Bidding from interested parties has yet to take place.

Since 1999, WAPDA has been restructured into twelve public limited companies: three generation companies; one transmission company and eight distribution companies. WAPDA's objectives include managing its twelve companies for their transition towards a corporate and commercial operating environment and developing the framework for a competitive modern power sector for cost effective operations for the provision of affordable electric power to customers.

WAPDA has 500kV, 220kV, 132kV, 66kV, and 33kV lines on its transmission system which links lower generating stations and load centers of the entire country creating one of the world's largest contiguous grid system. The national grid consists of a large network of transmission lines and grid stations of voltage levels from 500kV to 33kV to transmit power to load centers throughout the country to serve over ten million consumers of various categories.

Current Developments

During March 2003, AES announced an agreement to sell an approximately 32% ownership interest in AES Oasis Limited (AES Oasis). AES Oasis is a newly created company that will own two electric generation development projects and desalination plants in Oman and Qatar (AES Barka and AES Ras Laffan, respectively), the oil-fired generating facilities, AES Lal Pir and AES Pak Gen in Pakistan, as well as future power projects in the Middle East. During the second quarter of 2003, the parties agreed in principle to alter the structure of the transaction to exclude AES Ras Laffan, the Company's electric project and desalination plant in Qatar, and to offer for sale approximately 39% of our ownership interest in the revised AES Oasis entity. Completion of the sale as contemplated under the agreement is subject to certain conditions, including government and lender approvals that must be met and obtained prior to October 31, 2003, on which date the Oasis Stock Purchase Agreement would terminate. There can be no assurance that the sale will ultimately be completed. At the time of closing, AES will receive cash proceeds of approximately \$150 million.



Puerto Rico

DESCRIPTION AND STATISTICAL INFORMATION

MW	Commencement/ Acquisition	Dominant Fuel	Region	Location	Business Line	AES Equity Interest
454	2002	Coal	North America	USA	Contract Generation	100%

Puerto Rico is a 454MW coal-fired circulating fluidized bed (CFB) cogeneration facility in the southeastern region of Puerto Rico. The plant is a Qualified Facility (QF) under Public Utility Regulatory Policies Act (PURPA).

Construction of the facility began in November 1999 and achieved commercial operations under its power purchase agreement in November 2002. Puerto Rico is 100% owned by AES.

(Dollars in Millions)

	2000	2001	2002
Revenues	0.0	0.0	18.1



Puerto Rico

THE PHYSICAL ASSETS

The facility utilizes Alstom CFB boilers with additional scrubbing technology to achieve extremely low emission levels.

Puerto Rico is a cogeneration plant and one of the six AES plants that are defined as qualifying facilities (QFs) under PURPA. Unlike AES's other QFs, Puerto Rico does not need to maintain a minimum sales threshold for steam sales in order to maintain its QF advantages.

SALES AND OPERATIONS

Electricity Sales: Puerto Rico provides 9% of the island's electric generation capacity and supplies 15% of the existing demand for electricity. Puerto Rico sells electricity under a 25-year power purchase agreement (PPA) to the Puerto Rico Electric Power Authority (PREPA). The tariff includes a capacity payment comprising a capital recovery charge related to the capital cost of the project and a fixed O&M component that escalates according to US CPI. Puerto Rico is expected to maintain 88% availability in the first year of operation and 90% thereafter. The energy payment consists of a pass through of fuel cost and a variable O&M charge that escalates according to US CPI.

Steam Sales: In order to maintain its QF status, AES Puerto Rico will sell up to 400,000 pounds per hour of steam to Phillips Puerto Rico Core Inc. under a steam supply agreement, which expires 25 years after the start of commercial operations. Unlike other QFs, in the event that the steam host does not take at least 5% of the energy output of the facility, the project will not lose its QF advantages.

Fuel Supply: Fuel expense is a pass through to PREPA under the PPA with a performance "true-up" to a contracted heat rate curve. AES Puerto Rico has a coal supply agreement with Interocean Coal Sales effective from March 2002 and expiring in December 2003. As the first solid-fuel-fired plant on the island, the facility has reduced the electrical system's dependence on fuel oil from 98% to 82%.

O&M Manager: AES Puerto Rico is operated by a subsidiary of AES Corp.

REGULATION AND MARKETS

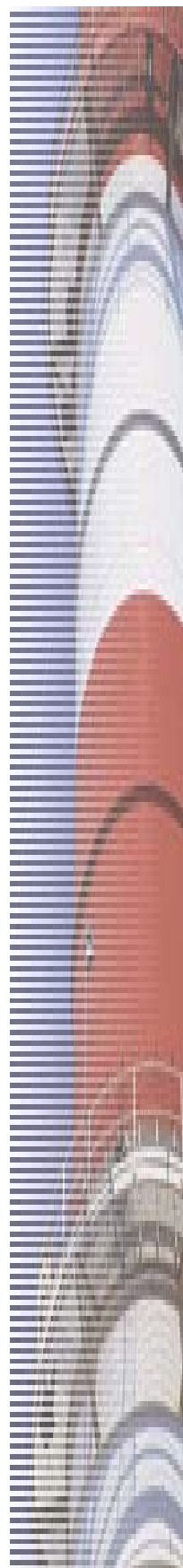
Puerto Rico is a contract generation business whose PPA expires in 2027. Accordingly the business is not currently subject to market pricing for its output. Founded in 1941, PREPA, the government-owned utility, is the sole electricity distributor for the Commonwealth of Puerto Rico, where it serves nearly 1.4 million residential and business customers. PREPA owns five primarily fossil-fueled power plants that give it nearly 4,400MW of generating capacity, and it has more than 31,000 miles of transmission and distribution lines.

The Commonwealth is the largest net energy importer in the Caribbean basin. The Commonwealth's long-term energy policy emphasizes diversification of energy sources, energy conservation and transportation initiatives to reduce energy demand. Electricity demand is growing by an average 3% a year, and PREPA currently has capacity of 5,355 MW. Puerto Rico is one of two major power projects by private investors in the Commonwealth with the goal of significantly increasing generating capacity.

Puerto Rico is an important fuel diversifier for PREPA, in that the coal plant will meet 15% of the Commonwealth's existing demand and will help to reduce the role of oil in the island's fuel mix to 82%.

The other independent projects include the 507MW EcoElectrica plant, fueled by LNG from Trinidad. Additionally, PREPA has in the planning stages another independent cogeneration plant of at least 400MW to be fueled by either coal or LNG, and a waste-to-energy generator of between 50MW and 80MW.

PREPA's modernization program also involves protecting its transmission facilities from high winds brought on by hurricanes, several of which have set back the power sector in the past decade. The company has allocated US\$36M to bury a 115-kV line in San Juan, the capital.



Shady Point

DESCRIPTION AND STATISTICAL INFORMATION

MW	Commencement/ Acquisition	Dominant Fuel	Region	Location	Business Line	AES Equity Interest
320	1991	Coal	North America	USA	Contract Generation	100%

Shady Point is a 320MW coal-fired cogeneration plant located in Panama, Oklahoma. The plant is a Qualified Facility (QF) under Public Utility Regulatory Policies Act (PURPA).

Shady Point commenced commercial operation in January 1991. Shady Point is 100% owned by AES.

(Dollars in Millions)	2000	2001	2002
Revenues	173.6	176.0	175.2



Shady Point

THE PHYSICAL ASSETS

Shady Point utilizes four coal-fired circulating fluidized bed (CFB) boilers and two Hitachi steam turbines and generators, along with associated fuel handling and pollution control equipment. Shady Point is one of six AES cogeneration plants that are defined as qualifying facilities (QFs) under PURPA.

SALES AND OPERATIONS

Electricity Sales: Shady Point sells electricity to Oklahoma Gas and Electric Company (OG&E) under a 32 year power purchase agreement (PPA) maturing in 2022. In 2008, OG&E has the right to terminate the agreement. If terminated, Shady Point would seek to replace the PPA with another contract for offtake. The capacity payment is based on availability. The energy payment is composed of a variable fuel cost component, a design heat rate, OG&E's cost of coal and a variable O&M component. Under this agreement, exposure to fuel price risk is limited.

Carbon Dioxide Sales: In order to maintain its QF status, the project uses steam to produce over 200 tons of liquid food-grade carbon dioxide per day, which it sells to Tyson Foods under a contract maturing in December 2003. Shady Point is currently renegotiating the contract.

Fuel Supply: Shady Point has coal supply agreements with Anker Energy, Brazil Creek (Farrell Cooper Mining) and Georges Collier Inc. The supply contracts expire in 2007. The project maintains a back-up coal supply contract with Peabody Holdings in Wyoming expiring in 2004, and a back-up transportation contract with Burlington Northern Railroad expiring in 2007.

O&M Operator: Shady Point is operated by a subsidiary of AES Corp.

REGULATION AND MARKETS

Shady Point is a contract generation business whose PPA expires in 2022. Accordingly the business is not currently subject to market pricing for its output. There is no wholesale power market in Oklahoma and bilateral contracts with utilities are recovered through cost of service filings with the state commission. OG&E is a member of the Southwest Power Pool (SPP). SPP, currently consists of 50 members, serves more than 4 million customers and covers a geographic area of 400,000 square miles containing a population of over 18 million people.

Major services provided by SPP include independent security coordination and tariff administration, regional engineering model development, planning and operating studies, reliability assessment studies, a computer-based telecommunications network, and operating reserve sharing.

SPP is currently implementing regional transaction scheduling and market settlement functionality as required by FERC Order 2000. SPP has been in discussions with several Regional Transmission Organizations (RTOs) about combining operations, but has not reached an agreement at this time. Given the current FERC position on RTO formation SPP may file for RTO status on its own.



Southland

DESCRIPTION AND STATISTICAL INFORMATION

MW	Commencement/ Acquisition	Dominant Fuel	Region	Location	Business Line	AES Equity Interest
4,357	1998	Gas	North America	USA	Contract Generation	100%

Southland is a holding company that owns three separate subsidiaries, which in turn, own three gas fired generation plants totaling 4,357MW located in southern California. AES acquired the plants in May 1998 from Southern California Edison. AES owns 100% of Southland.

(Dollars in Millions)	2000	2001	2002
Revenues	118.4	168.1	157.2



Alamosa

THE PHYSICAL ASSETS

Alamosa is a 2,123MW, gas fired, steam plant located in Long Beach, California. The facility's 7 units utilize conventional GE/Westinghouse steam turbines, Babcock & Wilcox Combustion Engineering boilers and Pratt & Whitney aircraft turbines. The plant has been in service since 1956.

Huntington Beach is a 904MW gas fired steam plant located in Huntington Beach, California. The facility's 4 units utilize conventional GE steam turbines and Babcock & Wilcox boilers and Pratt & Whitney aircraft turbines. The plant has been in service since 1958.

Redondo Beach is a 1,330MW gas fired, steam plant located in Redondo Beach, California. The facility's four units utilize conventional GE/Westinghouse steam turbines, two subcritical and two supercritical Babcock & Whitney boilers. The plant has been in service since 1954.

SALES AND OPERATIONS

Electricity Sales: Southland sells capacity and provides fuel conversion services under a 15 year tolling agreement to Williams Energy Marketing & Trading Company (WEM&T), whereby WEM&T provides the fuel. The agreement became effective in 1998. The agreement allows for either party to opt for an additional 5 years at the end of the 15 year term. WEM&T payments to Southland consist of a capacity payment based on plant availability and an energy payment based on production.

Additionally, AES Huntington Beach sells capacity and provides fuel conversion services under a 5 year tolling agreement to Southern California Edison (SCE) for units 3 and 4, whereby SCE provides the fuel. The SCE payment to Huntington Beach consists of a capacity payment based on plant availability and an energy payment based on production.

WEM&T's obligations under the tolling agreement are supported by a guarantee from Williams Holdings capped at \$1.2 billion and with provisions to be reduced over the term of the financing.

O&M Operator: Southland is operated by subsidiaries of AES Corp, which also have full responsibility for maintenance.

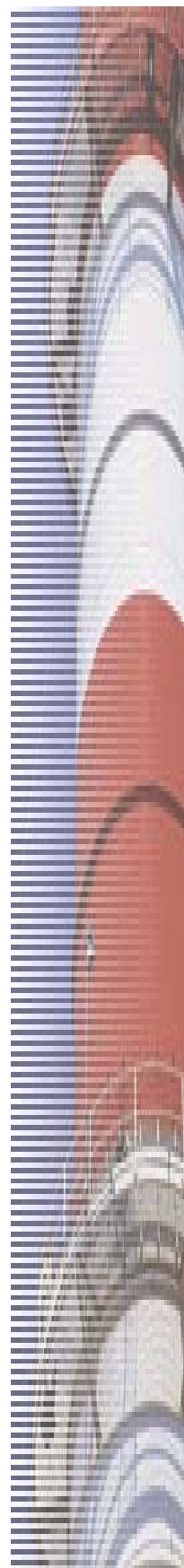
REGULATION AND MARKETS

Southland is a contract generation business whose tolling agreement expires in 2013, with an optional extension to 2018. Accordingly the business is not currently subject to market pricing for its output. Southland assets are located within the region administered by the California Independent System Operator (CAISO). CAISO operations cover a population of more than 30 million with a peak demand of 45,000MW, 25,500 miles of transmission lines and over 800 generating resources totaling more than 54,000 MW. The CAISO operates the transmission grid in California and operates a real time balancing energy market and a day ahead ancillary service market.

Unlike the markets in the Eastern U.S., the CAISO does not operate a day-ahead energy market, does not use a centralized commitment program and does not have a capacity market. However, the CAISO does conduct a daily and hourly ancillary services market which includes regulation, spin, non-spin and supplemental energy. Generators and loads must deal with approved Scheduling Coordinators who submit balanced schedules to the CAISO a day ahead of the dispatch day. The CAISO uses zonal not nodal pricing, and congestion costs within a zone are collected from all loads in the zone. The CAISO is a single state ISO and is heavily influenced by the California Public Utilities Commission (CPUC) and the Governor's Office. The CAISO is in the process of changing the market design to a model that would resemble the markets in the Eastern U.S. However this design, if approved by the FERC, would not be in place before 2005.

Market power concerns have lead to the imposition of a \$250/MWh energy bid cap, the implementation of an Automated Mitigation Procedure (AMP) that can mitigate a generator offer before setting the clearing price. The AMP is similar to the procedure used in the NYISO but with more restrictive triggers and thresholds.

California experienced high prices and allegations of market manipulation resulting in a number of lawsuits and regulatory proceedings that are addressing the appropriateness and level of refunds from generators and marketers to loads. The regulatory proceeding should be concluded by the end of 2003 which should reduce some of the uncertainty. Strict siting and environmental requirements and current revenue recovery opportunities have restricted the development of additional generation and led to virtually no new investment in transmission.



Thames

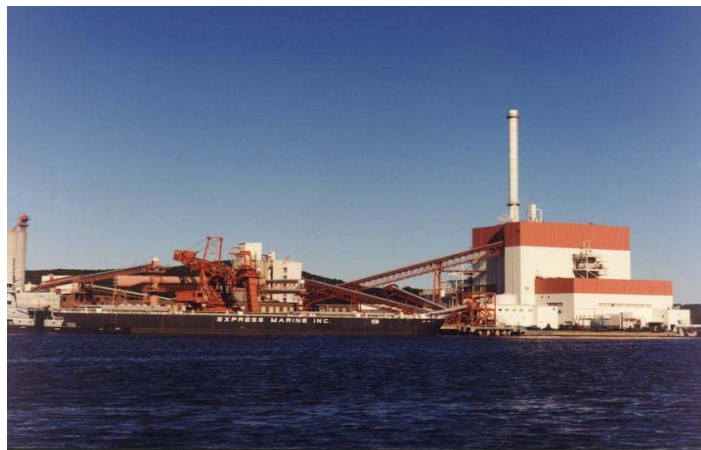
DESCRIPTION AND STATISTICAL INFORMATION

MW	Commencement/ Acquisition	Dominant Fuel	Region	Location	Business Line	AES Equity Interest
181	1990	Coal	North America	USA	Contract Generation	100%

Thames is a 181MW coal-fired circulating fluidized bed (CFB) cogeneration plant located in Montville, Connecticut. This plant is a Qualified Facility under the Public Utility Regulatory Policies Act (PURPA).

Construction of the facility began in 1987 and operations commenced in March 1990. Thames is 100% owned by AES.

(Dollars in Millions)	2000	2001	2002
Revenues	149.6	110.7	103.8



Thames

THE PHYSICAL ASSETS

Thames utilizes a Toshiba turbine generator and two Combustion Engineering CFB boilers. Thames is one of six AES cogeneration plants that are defined as qualifying facilities (QFs) under PURPA.

SALES AND OPERATIONS

Electricity Sales: Thames sells electricity to Connecticut Light & Power Co. (CL&P) under a 25 year power purchase agreement (PPA) effective from March 1990. In 2001 Thames received a partial prepayment for future deliveries of on-peak and off-peak electricity. This partial prepayment is amortized into revenues as the electricity is delivered. Both on-peak and off-peak components escalate with inflation. The prepayment agreement runs through the end of the original PPA. Power generated in excess of 181MW is sold to CL&P at prevailing open market prices.

Steam Sales: In order to maintain its QF status, Thames also sells steam to Smurfit Stone Container Corporation. The price paid for steam by Smurfit Stone is based on the quantity of steam taken and is subject to an adjustment for inflation. The contract has an initial expiration date of 2004. The contract has provisions for seven five year renewal periods.

Fuel Supply: Thames has a fuel supply agreement with CSX Corp. for coal, limestone, ash removal, and railroad transportation. The contract expires in March 2005. The price escalates pursuant to an inflation index that is designed to fluctuate with the price of electricity paid by CL&P under the PPA.

O&M Operator: Thames is operated by a subsidiary of AES.

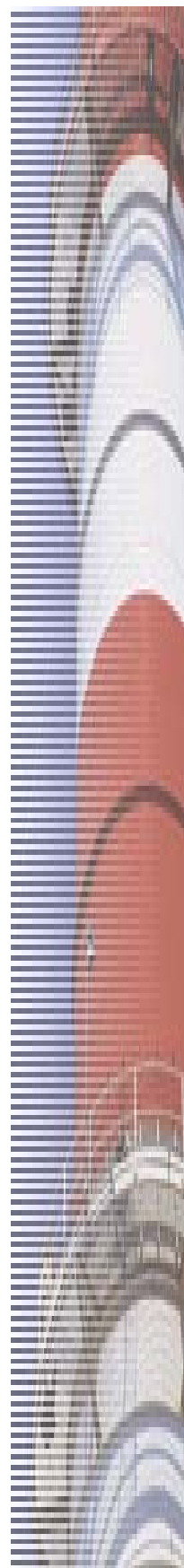
REGULATION AND MARKETS

Thames is a contract generation business whose PPAs expire in 2015. Accordingly the business is not currently subject to market pricing for its output. Thames is located in Connecticut and operates within the footprint of the ISO-NE which operates the transmission grid and wholesale power markets for the Northeast region of the U.S. ISO-NE is under contract as an ISO with the members of the New England Power Pool (NEPOOL) to operate the transmission grid and administer the wholesale energy markets covering Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.

NEPOOL is regulated as an electric utility by the Federal Energy Regulatory Commission (FERC) and has an Open Access Transmission Tariff (OATT) on file that incorporates rates and conditions. ISO-NE is in the process of completing a filing with the FERC to become an approved Regional Transmission Organization (RTO) and would assume the responsibility of filing and administering the tariff similar to PJM. ISO-NE operations cover a population of more than 6.5 million with a peak demand of 25,348MW, 7,200 miles of transmission lines and over 500 generating resources totaling more than 31,000MW.

The wholesale power markets are based on the ability to use a combination of bilateral contracts and ISO-NE administered day-ahead and real-time energy markets. The day-ahead energy market is a financially binding, security constrained unit commitment market that includes energy and regulation. ISO-NE uses Locational Marginal Pricing (LMP) calculated at each node to represent congestion on the grid. Generators are paid the LMP at their node. Financial Transmission Rights (FTRs) are used to hedge congestion risk in the day-ahead market. Participants can designate a generator and a delivery point in the ISO-NE FTR auction and will receive a payment stream based on these two prices that would offset any congestion charges they incur to deliver power between these two points. NEPOOL sets reliability requirements for determining adequate capacity, and the ISO-NE assigns capacity obligations to Load Serving Entities (LSEs) and operates an auction for unforced capacity (UCAP). Unforced capacity is based on the generating capabilities of the system including the historical forced outage rates.

Market power concerns have lead to the imposition of a \$1,000/MWh energy bid cap. The FERC recently revised the ISO-NE mitigation measures to remove the use of a zonal "safe harbor" bid cap for designated congestion areas and replaced this with the ability for units that have capacity factors less than 10% to submit bids that include a fixed price adder that would allow the opportunity to recover fixed costs, and send a price signal to the market.



Tietê

DESCRIPTION AND STATISTICAL INFORMATION

MW	Commencement/ Acquisition	Dominant Fuel	Region	Location	Business Line	AES Equity Interest
2,651	1999	Hydro	South America	Brazil	Contract Generation	53%

Tietê is a power generation company which owns a 30 year concession to operate 10 hydroelectric plants located on three rivers in the State of São Paulo, with an aggregate installed capacity of 2,651MW. In December 1999, AES purchased a controlling interest in Tietê.

AES paid for 62% of the voting common shares and 39% of the total economic shares of the company. \$183 million of the acquisition cost was financed by BNDES, the Brazilian development bank, and was subsequently paid down through a holding company financing. In August 2001, AES acquired additional ownership interest in Tietê. Through AES Tiete Empreendimentos Ltda and Tiete Participações Ltda, AES currently owns approximately 43.7% of the total equity capital of Tietê. Through Energia Paulista Ltda, AES owns an additional 9.6% of the total equity capital of Tietê. The combined total AES ownership is 53.2%.

(Dollars in Millions)	2000	2001	2002
Revenues	275.6	230.4	209.3



Água Vermelha - Tietê

SALES AND OPERATIONS

Electricity Sales: Tietê has contracts to sell electricity to all major electric distribution companies. Most of sales are made by "initial contracts" signed prior to the privatization of the Company, thus fixing the quantity and price of electric power. The selling price is adjusted annually based on the variation of the general market price index (IGP-M).

The initial contracts, effective from 1999 and expiring 25% per year ending in 2005, include contracts with Companhia Paulista de Força e Luz; Companhia Nacional de Energia Elétrica; Companhia Piratininga de Força e Luz; Empresa Bandeirante de Energia; Empresa Elétrica Bragantina S/A; Elektro Electricidade e Serviços S/A; and Eletropaulo Metropolitana Eletricidade de São Paulo S.A. Sales of electricity by initial contracts are secured by receivables from electric distribution companies.

With the approval of Agência Nacional de Energia Elétrica (ANEEL), Tietê entered into a long-term power purchase agreement to supply energy for 15 years to Eletropaulo. All contracts have tariffs readjusted once a year by based on a variation of the general market price index (IGP-M), a widely used measure of inflation in Brazil.

O&M Operator: Tietê is operated by a subsidiary of AES.

REGULATION AND MARKETS

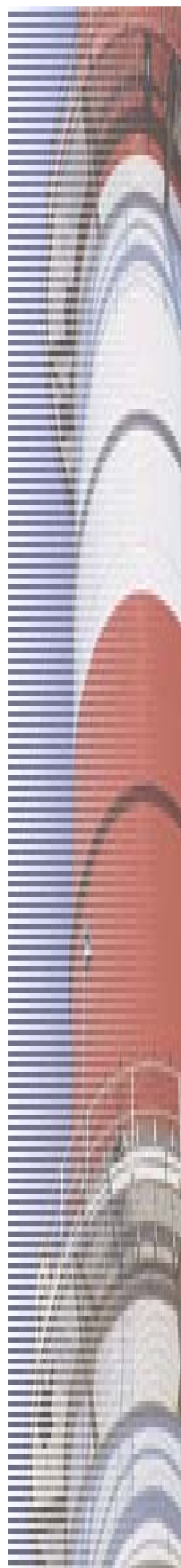
Tietê is a contract generation business whose contracts expire in 2015. Accordingly the business is not currently subject to market pricing for its output. The electric industry in Brazil is controlled by the government through three agencies. Eletrobrás is the holding company for government-owned electric assets and is the manager for the national transmission grid. The Ministry of Mining and Energy (MME) is responsible for the planning of supply. The regulator is ANEEL, which is responsible for regulating the provision of most electricity services including generation, distribution and transmission. A national system operator (ONS) is responsible for system planning and dispatch.

ANEEL grants concessions (distribution and generation) through a bidding process and approves rate increase requests. Concession contracts guarantee the pass through of all non-manageable expenses (such as taxes, inflation and energy purchases) to clients, and also require ANEEL's consent to effect any transactions with affiliated companies, such as inter-company loans or service contracts. In order to avoid exposure to volatile spot energy prices, distributors are required to purchase at least 85% of their energy requirements through long-term contracts.

The Brazilian government began restructuring the electricity sector in 1995, with the intent of disaggregating the business functions of the sector and creating a competitive power market. On January 9, 2002, the government announced a comprehensive package of measures it hopes will allow it to move forward with deregulation and ensure an increasingly private investor-friendly, competitive environment with a more effective and widely accepted spot market and incentives to increase generating capacity.

Around 75% of Brazil's power is generated from hydropower. The country's remaining electricity generation capacity comes from coal and an ever-increasing amount from natural gas. Brazil's small northern and larger southern electrical grids were joined in January 1999 into one grid that serves 98% of the country. Brazil's domestic supply is augmented by imports of electricity from neighboring Argentina.

In 2001, Brazil faced a critical electricity shortage which resulted from insufficient rainfall and underinvestment in the industry. A power rationing program, effective June 2001 through March 2002, prevented rolling blackouts. Restrictions began to ease in 2002 ending completely on March 1. To ensure more reliable supply in the future, government plans call for about 20,000MW of new capacity (both natural gas-fired and hydropower), about 1,000MW of imports from Argentina, boosting non-hydro renewable generation, and adding over 2,190km of transmission lines.



Urugaiana

DESCRIPTION AND STATISTICAL INFORMATION

MW	Commencement/ Acquisition	Dominant Fuel	Region	Location	Business Line	AES Equity Interest
639	2000	Gas	South America	Brazil	Contract Generation	100%

Urugaiana is a 639MW dual fueled gas-fired combined cycle generation plant located in the city of Urugaiana, Rio Grande do Sul, Brazil. Urugaiana is the first project in Brazil to use natural gas in a large scale to generate electricity.

Construction began in October 1998 and operations commenced in December 2000. The project is currently debt-free with 100% equity provided by AES. Urugaiana is wholly owned by AES.

(Dollars in Millions)	2000	2001	2002
Revenues	10.7	131.4	118.6



Urugaiana

THE PHYSICAL ASSETS

The facility utilizes two 185MW 501FC dry low NOx Siemens Westinghouse gas turbines and one 269MW triple pressure stage Siemens Westinghouse steam turbine configured as a 2 x 1 combined cycle with supplemental duct firing. Urugaiana will use oil as a backup fuel only in emergencies.

SALES AND OPERATIONS

Electricity Sales: Urugaiana sells electricity to AES Sul(37.4%), Companhia Estadual de Energia Elétrica (CEEE) (32.7%), and Rio Grande Energia (RGE) (29.9%) under a 20 year 500MW PPA effective from December 2000. At the end of 2004, the project will no longer be constrained by transmission restrictions and will be able to commercialize full capacity up to 600MW. The payments are intended to be in Reais, adjusted annually (or more often if so permitted by applicable laws and regulations). Capacity payments are adjusted with a Brazilian inflation index called IGPM (closely linked to the U.S. Dollar) while energy payments are adjusted for the cost of delivered natural gas under the Gas Supply Contract. Should the correlation between the IGPM and Real/U.S. Dollar exchange rate result in a greater than 5% deterioration in the project economics, the payments will be adjusted for this deviation. The PPA expires in December 2020. CEEE guarantees payment to the project through monthly guarantee certificates which can be presented for direct payment from final consumers in the event of non-payment by the CEEE.

Fuel Supply: Urugaiana has a 20 year take-or-pay gas supply agreement with Argentinean YPF/Repsol that commenced in June 2000. Urugaiana also has a 100% ship-or-pay transportation contract with Sulgas and TGN/TGM that commenced in June 2000.

O&M Operator: AES Urugaiana is operated by a subsidiary of AES.

REGULATION AND MARKETS

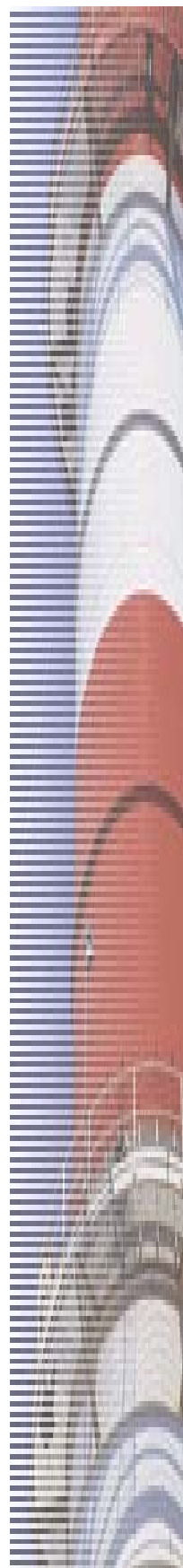
Uruguiana is a contract generation business whose contracts expire in 2020. Accordingly the business is not currently subject to market pricing for its output. The electric industry in Brazil is controlled by the government through three agencies. Eletrobrás is the holding company for government-owned electric assets and is the manager for the national transmission grid. The Ministry of Mining and Energy (MME) is responsible for the planning of supply. The regulator is Agência Nacional de Energia Elétrica (ANEEL), which is responsible for regulating the provision of most electricity services including generation, distribution and transmission. A national system operator (ONS) is responsible for system planning and dispatch.

ANEEL grants concessions (distribution and generation) through a bidding process and approves rate increase requests. Concession contracts guarantee the pass through of all non-manageable expenses (such as taxes, inflation and energy purchases) to clients, and also require ANEEL's consent to effect any transactions with affiliated companies, such as inter-company loans or service contracts. In order to avoid exposure to volatile spot energy prices, distributors are required to purchase at least 85% of their energy requirements through long-term contracts.

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Warrior Run

DESCRIPTION AND STATISTICAL INFORMATION

MW	Commencement/ Acquisition	Dominant Fuel	Region	Location	Business Line	AES Equity Interest
180	2000	Coal	North America	USA	Contract Generation	100%

Warrior Run is a 180MW cogeneration plant and a 150 tons per day CO₂ production facility located in Allegany County, Maryland. The plant is a Qualified Facility (QF) under Public Utility Regulatory Policies Act (PURPA). The facility is interconnected with Potomac Edison's Ridgeley substation located in Mineral County, West Virginia.

Construction of the facility began in 1995 and commercial operations began in February 2000. Warrior Run is 100% owned by AES.

(Dollars in Millions)	2000	2001	2002
Revenues	83.8	90.8	96.1



Warrior Run

THE PHYSICAL ASSETS

Warrior Run is a 180MW cogeneration plant and a 150 tons per day CO₂ production facility. Warrior Run is one of six AES cogeneration plants that are defined as qualifying facilities (QFs) under PURPA.

SALES AND OPERATIONS

Power Sales: Warrior Run sells electricity to the Potomac Edison Company (PEC) under a 30 year power purchase agreement (PPA). PEC may direct that the facility be operated in either QF Control Mode, where Warrior Run directs the amount of energy to be generated, or Dispatch Mode, where PEC directs the amount of energy generated.

To secure AES obligations under the PPA, PEC has a mortgage lien on and security interest in all AES's right, title, interest in and to the assets, revenues and contract rights in respect of the project pursuant to the PEC mortgage.

CO₂ Sales: In order to maintain its QF status, Warrior Run uses steam to produce CO₂ for sale into merchant gas market.

Fuel Supply: Warrior Run has a 20 year fuel supply contract to buy approximately 650,000 tons of coal per year from Anker Energy.

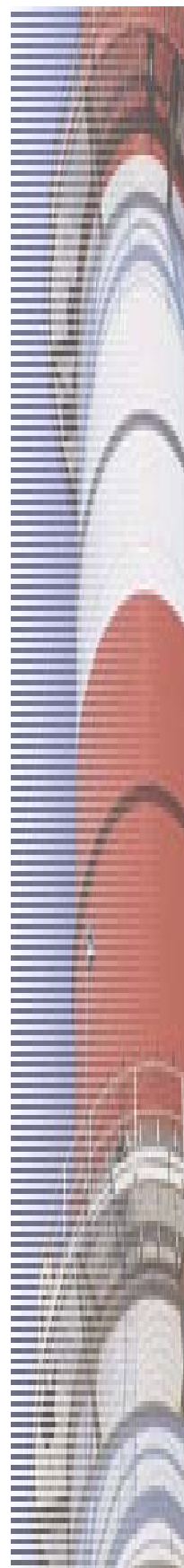
O&M Operation: Warrior Run is operated by a subsidiary of AES.

REGULATION AND MARKETS

Warrior Run is a contract generation business whose contracts expire in 2030. Accordingly the business is not currently subject to market pricing for its output. Warrior Run is located in the PJM West territory. The PJM Interconnection operates the transmission grid and wholesale power markets for the mid-Atlantic region. PJM is regulated as an electric utility by the Federal Energy Regulatory Commission (FERC) and has an Open Access Transmission Tariff (OATT) on file that incorporates rates and conditions. PJM is an approved Regional Transmission Organization (RTO) and operates energy and capacity markets that cover all or parts of Delaware, Maryland, New Jersey, Ohio, Pennsylvania, Virginia, West Virginia and the District of Columbia. PJM operations cover a population of more than 25 million with a peak demand of 63,762MW, 13,000 miles of transmission lines and over 600 generating resources totaling more than 74,000MW.

The wholesale power markets are based on the ability to use a combination of bilateral contracts and PJM administered day-ahead and real time energy markets. The day-ahead energy market is a financially binding, security constrained unit commitment market that includes energy and regulation. PJM uses Locational Marginal Pricing (LMP) calculated at each node to represent congestion on the grid. Generators are paid the LMP at their node. Financial Transmission Rights (FTRs) are used to hedge congestion risk in the day-ahead market. Participants can designate a generator and a delivery point in the PJM FTR auction and will receive a payment stream based on these two prices that would offset any congestion charges they incur to deliver power between these two points. PJM also sets reliability requirements for determining adequate capacity, assigns capacity obligations to Load Serving Entities (LSEs) and operates an auction for Unforced Capacity (UCAP). UCAP is based on the generating capabilities of the system including the historical forced outage rates.

Market power concerns have lead to the imposition of a \$1,000/MWh energy bid cap and the ability to cap individual generators at variable cost plus 10% for local market power concerns. PJM is in the process of revising its tariff to allow it to identify, and mandate if necessary, the construction of new transmission or generation facilities to resolve congestion if market forces do not result in a solution.



III. Contract Generation – Other Businesses

NORTH AMERICA

DELANO – U.S.A

Delano is a 50MW biomass facility located in Delano, California. The facility includes two units utilizing two EBI Fluidized Bed Combustors and two ABB Steam Turbines. AES completed acquisition of Delano in July 2001. Delano has a 5 year PPA with San Diego Gas & Electric which expires in 2007. Delano has signed a 3 year fuel supply agreement for approximately 70% of its projected fuel needs. Central Valley Fuel Management is the AES-owned company that procures fuel for Delano, Mendota and several other unaffiliated biomass plants. Delano is a 100% owned subsidiary of AES

HEMPHILL – U.S.A

Hemphill is a 14MW biomass facility located in Springfield, New Hampshire. The facility utilizes a GE steam turbine and a B&W Tower Pak Boiler. AES purchased Hemphill as part of the Thermo Ecotek acquisition in June 2001. It sells electricity to Public Service of New Hampshire under a PPA through October 2007. Hemphill has a fuel supply contract with Durgin and Crowell. Hemphill is 67% owned by AES.

IRONWOOD – U.S.A

Ironwood is a 705MW gas-fired combined cycle generation plant located in Lebanon County, Pennsylvania. The facility utilizes two Siemens Westinghouse model 501G combustion turbines with hydrogen-cooled generators, two unfired heat recovery steam generators and one multi-cylinder steam turbine with a hydrogen-cooled generator. The facility achieved commercial operations on December 28, 2001. Ironwood sells capacity and provides fuel conversion services under a 20 year tolling agreement to Williams Energy Marketing & Trading Company (WEMTC), which provides the fuel. The tolling agreement eliminates fuel and electricity price risk and provides the project with a stable, predictable revenue stream so long as the facility is available. The capacity payment is based on plant availability and the energy payment is based on production. The Williams Companies Inc. has guaranteed its subsidiary's obligations under the tolling agreement for an amount not to exceed 125% of the initial debt. WEMTC will make monthly payments to Ironwood consisting of a fixed payment, a variable operation and maintenance payment, and a start-up payment. WEMTC has executed specific agreements with Texas Eastern Transmission Corporation to provide natural gas to the project. After the WEMTC PPA, the project will have direct access to the Texas Eastern gas pipeline ensuring firm fuel transportation. Ironwood is 100% owned by AES.

KINGSTON – CANADA

Kingston Cogen Limited Partnership (KCLP) is a 110MW gas-fired, combined-cycle cogeneration facility located in Loyalist Township, Ontario. The facility utilizes a GE Frame 6FA Gas Turbine and a GE Steam Turbine. AES purchased the facility as part of the Destec acquisition in 1997. The facility began commercial operations in February 1997 and sells electricity under a 20-year PPA to Ontario Electricity Financial Corporation, which commenced in February 1997. KCLP purchases fuel under a 20-year Gas Supply Agreement with EnCana Corp. KCLP is 50% owned by AES through AES Kingston ULC (AES Kingston).

MENDOTA – U.S.A

Mendota is a 25 MW biomass facility located in Mendota, California. The facility utilizes a 25MW GE turbine. AES purchased Mendota as a part of Thermo Ecotek acquisition. Mendota sells electricity to PG&E under a 25year PPA expiring in April 2014. The plant has short-term local fuel supplier agreements with price varying with type of fuel. Mendota is 100% owned by AES. Central Valley Fuel Management is the AES-owned company that procures fuel for Mendota, Delano and several other unaffiliated biomass plants.

MERIDA III – MEXICO

Merida III is a 497MW combined-cycle, gas fired power generation facility located in southwest of the city of Merida, Yucatán, Mexico. The project consists of two conventional 501-F gas-fired combustion turbines, two heat recovery steam generators and a single steam turbine, and certain other common facilities. AES was awarded to bid for the construction of Merida in February 1997. The facility began commercial operations in June 2000. Merida III sells electricity to the Federal Electricity Commission, a public decentralized agency of the Federal Public Administration under a 25 year PPA, which commenced in June 2000. The project also has a 25 year agreement for the supply of natural gas with Federal Electricity Commission. Merida is 55% owned by AES.

PLACERITA – U.S.A.

Placerita is a 120MW combined cycle gas turbine cogeneration facility near Los Angeles, California. The plant was developed by AES and commenced full-scale commercial operation in February 1989. Placerita sells electricity to Southern California Edison under a 5 year PPA which commenced in January 2003. Placerita is 100% owned by AES.

RED OAK – U.S.A

Red Oak is an 832MW gas-fired combined cycle electric generating facility, located in Sayreville, New Jersey. The facility utilizes three Siemens Westinghouse 501FD gas turbines, three heat recovery steam generators, and one Toshiba steam turbine. Upon provisional acceptance from the EPC contractor, the facility commenced commercial operation in September 2002 as a merchant plant and went into commercial operations under the tolling agreement with Williams Energy and Trading in September 2002. The EPC contractor continues to work towards Final Acceptance as defined under the terms of the EPC contract. Washington Group International (WGI) was the EPC subcontractor; however, as a result of WGI's bankruptcy filing, Red Oak invoked the Raytheon Co. guaranty available under the original EPC contract. Raytheon completed construction as project manager and took full project completion risk, including the payment of all liquidated damages. Raytheon turned over the plant to Red Oak in August 2002. Red Oak sells its entire capacity and provides fuel conversion services under a 20-year tolling agreement that began September 2002 to the fuel provider Williams Energy Marketing & Trading Company (WEM&T). The tolling agreement eliminates fuel and electricity price risk and provides the project with a stable, predictable revenue stream so long as the facility is available. The capacity payment is based on plant availability and the energy payment is based on production. WEM&T will make monthly payments to Red Oak consisting of a fixed payment, a variable operation and maintenance payment, and a start-up payment. The Williams Companies Inc. has guaranteed its subsidiary obligations under the tolling agreement for an amount not to exceed 125% of the initial debt. Red Oak is 100% owned by AES.

EUROPE

CARTAGENA – SPAIN

Cartagena is a 1,200MW combined cycle gas-fired facility currently under development located 500 metres from the coast of the Mediterranean Sea at Escombreras, Puerto de Cartagena, in Murcia province, Spain. The site lies very close to the LNG import terminal on the coast. The facility will utilize three independent, single shaft units each consisting of an MHI 701F gas turbine, associated heat recovery steam generator and steam turbine. The plant will have dual-firing capability and will be able to burn either natural gas or oil, however the principal fuel will be natural gas. Cartagena is expected to commence commercial operation by January 2006. The facility is being built under an EPC contract with Mitsubishi Corporation and INITEC, S.A. Cartagena has an energy agreement with GDF International ("GDFI") whose parent, Gaz de France ("GDF"), is rated 'AAA' by S&P. As the energy manager, GDFI will supply gas to the project and in return for specific payments from GDFI, Cartagena will convert the gas into electricity and sell the electricity into the Spanish electricity pool. Cartagena will forward to the energy manager the pool income from the sale of electrical capacity, energy and ancillary services, net of any electricity purchases. This structure insulates Cartagena from gas and electricity market risks. The energy agreement will run concurrently with the site concession agreement, which currently expires in November 2021, but can and is fully expected to be extended to November 2027, implying a maturity of over 22 years post-completion. The source of gas for the Cartagena will be LNG delivered to a terminal at Escombreras. Financing for the project closed in August 2003. Cartagena is 100% owned by AES.

ELSTA – NETHERLANDS

Elsta is a 405MW gas-fired, combined cycle cogeneration facility located adjacent to the chemical manufacturing facilities of Dow Benelux N.V. in Terneuzen, The Netherlands. AES acquired its interest in Elsta in June 1997. The project has a 20-year steam and electric power sales agreement with Dow Benelux and a 20-year electric sales agreement with Delta and PNEM (Essent Energy), both of which commenced in September 1998. Dow purchases between 65 and 105 MW of electrical capacity and receives on average 500 MT/hr of multi-pressure steam energy and has dispatch rights on steam energy subject to minimum and maximum take obligations. Delta and PNEM purchase the remaining electrical capacity between 300 and 345 MW. AES provides operational services and facility management for this business. Elsta is 50% owned by AES.

CARIBBEAN

ANDRES – DOMINICAN REPUBLIC

Andres, currently in the final stages of construction, is a 310MW gas-fired combined cycle generation plant with a liquefied natural gas (LNG) import terminal and a 12 inch 34km gas export pipeline with a capacity of 125 cubic feet at 650 psig, located on the southern tip of the Caucedo Peninsula, 35km east of Santo Domingo on the south coast of the Dominican Republic (DR). The plant is an integral component of AES's strategy in the DR, as Andres will sell virtually all its capacity to EDE Este under a 15-year PPA, one of three privatized electric distribution companies within the DR, which is controlled by AES, and will supply gas to Los Mina. The facility will utilize a Mitsubishi Heavy Industries (MHI) 501F combustion turbine and is designed to have dual-fuel capability using both natural gas and distillate oil #2 (as a back-up fuel). The LNG storage tank accommodates one million barrels (160,000 cubic meters). The construction of Andres began the fall of 2000. The LNG terminal, together with the export pipeline, were completed in February 2003, and Andres began supplying gas to Los Mina in March 2003. Commercial operation of the power plant is expected by mid-2003. Andres is 100% owned by AES.

LOS MINA – DOMINICAN REPUBLIC

Los Mina is a 210MW simple cycle generation plant located in Santo Domingo, DR. The plant has recently converted to gas-fired operation, and burns natural gas supplied by Andres. The facility utilizes two 501D5A Westinghouse simple-cycle combustion turbine generators on land adjacent to a government owned substation. Operations commenced in May 1996. AES acquired the facility in 1997. Los Mina sells its entire capacity and energy to EDE Este under a 15 year PPA effective August 1, 2001, at a projected average capacity factor of 22%. Los Mina receives a base capacity payment (\$10/KW-month), indexed to U.S. CPI, and a base energy payment (\$51/Mmwh), indexed to NYMEX Natural Gas and to combination U.S. & DR CPI. Energy and capacity payments are made net of transmission and interconnection fees. Los Mina is a 100% owned subsidiary of AES.

ASIA

BARKA - OMAN

Barka is a 427MW natural gas combined cycle generation plant and 20 million gallon per day (MIGD) water desalination unit, located on the Omani coast approximately 30 km west of Muscat, the capital city of the Sultanate of Oman. The facility will utilize two Ansaldo V94.2 gas turbines, 2 heat recovery steam generators and 1 steam turbine and 3 MSF distillers sufficient to produce 20 MIGD of water. Diesel oil will be used as a back up. The project was awarded to AES and Multitech LLC (the minority partner) by the Ministry of National Economy of Oman pursuant to a competitive bidding process.

During March 2003, AES announced an agreement to sell an approximately 32% ownership interest in AES Oasis Limited (AES Oasis). AES Oasis is a newly created company that will own two electric generation development projects and desalination plants in Oman and Qatar (AES Barka and AES Ras Laffan, respectively), the oil-fired generating facilities, AES Lal Pir and AES Pak Gen in Pakistan, as well as future power projects in the Middle East. During the second quarter of 2003, the parties agreed in principle to alter the structure of the transaction to exclude AES Ras Laffan, the Company's electric project and desalination plant in Qatar, and to offer for sale approximately 39% of our ownership interest in the revised AES Oasis entity. Completion of the sale as contemplated under the agreement is subject to certain conditions, including government and lender approvals that must be met and obtained prior to October 31, 2003, on which date the Oasis Stock Purchase Agreement would terminate. There can be no assurance that the sale will ultimately be completed. At the time of closing, AES will receive cash proceeds of approximately \$150 million.

KELANITISSA – SRI LANKA

Kelanitissa is a 165MW diesel fuel based combined cycle power plant in Colombo, Sri Lanka. The facility utilizes BHEL Gas and Steam Turbines together with a Larsen & Toubro Heat Recovery Steam Generator (HRSG). Kelanitissa is a greenfield construction project, which entered into commercial operation in February 2003 in simple cycle and with an expected commercial operating date in September 2003 for combined cycle. The EPC contract is held by Larsen & Toubro Ceylinco Limited. The project has a 20 year PPA with Ceylon Electricity Board, with option to extend before 17th combined cycle anniversary date. The facility has a fuel supply agreement with Ceylon Petroleum Corporation for the life of PPA. Kelanitissa is 90% owned by AES.

OPGC - INDIA

Orissa Power Generation Corporation Limited (OPGC) was incorporated on November 14, 1984. The Government of Orissa (GOO) owned 100% of OPGC's equity capital prior to acquisition of 49% equity by AES in 1998. OPGC consists of two Thermal Power Units with a Capacity of 210 MW each. It has a 30 year PPA with GRIDCO, the transmission company in Orissa, expiring in 2026. Coal to the plant is supplied from the Ib Valley coalfields of Mahanadi Coalfields Limited (MCL), a Government of India enterprise. Sufficient water is available as the power plant is located on the banks of the Hirakud reservoir.

RAS LAFFAN - QATAR

Ras Laffan is a 750MW gas-fired combined cycle power and 40MIGD water desalination plant located approximately 80km north of Doha (the capital city) on the northeast coast of Qatar. The facility will utilize 4GE frame 9E gas turbines each rated 100MW, 4 bypass stacks, 4 heat recovery steam generators and 2 steam turbine each 190MW rating and 4MSF distillers sufficient to produce 40 MIGD of water. The Ras Laffan project was awarded to AES through competitive bidding. Currently, three out of four gas turbines have successfully achieved the performance test standards defined under the PWPA. The Commercial Operation Certificate is awaited from the government utility (off-taker). The target combined cycle commercial operations date is May 1, 2004. Ras Laffan will sell electricity and desalinated water under a 25 year PWPA with Kahramaa, a government entity. The agreement was executed on October 24, 2001 and comes into effect on the initial commercial operation date. AES holds controlling interest (55%) of the facility and the remaining shares are owned by Qatar Petroleum (QP), Qatar Electricity and Water Company (QEWC), and Gulf Investment Corporation (GIC).

During March 2003, AES announced an agreement to sell an approximately 32% ownership interest in AES Oasis Limited (AES Oasis). AES Oasis is a newly created company that will own two electric generation development projects and desalination plants in Oman and Qatar (AES Barka and AES Ras Laffan, respectively), the oil-fired generating facilities, AES Lal Pir and AES Pak Gen in Pakistan, as well as future power projects in the Middle East. During the second quarter of 2003, the parties agreed in principle to alter the structure of the transaction to exclude AES Ras Laffan, the Company's electric project and desalination plant in Qatar, and to offer for sale approximately 39% of our ownership interest in the revised AES Oasis entity. Completion of the sale as contemplated under the agreement is subject to certain conditions, including government and lender approvals that must be met and obtained prior to October 31, 2003, on which date the Oasis Stock Purchase Agreement would terminate. There can be no assurance that the sale will ultimately be completed. At the time of closing, AES will receive cash proceeds of approximately \$150 million.

Section Three

COMPETITIVE SUPPLY LINE **OF BUSINESS**



I. Competitive Supply Facilities

The following table sets forth information regarding the Company's Competitive Supply facilities that are in operation in North America, South America and Europe/ Africa at August 31, 2003.

Competitive Supply – North America, South America & Europe/ Africa

NORTH AMERICA

	Location	Fuel	Gross MW	AES Equity Interest (percent)	Year of COD/DA
Deepwater	TX - U.S.A.	Pet Coke	143	100	1986
Eastern Energy	NY - U.S.A.	Coal	1,268	100	1999
Granite Ridge	NH - U.S.A.	Gas	720	100	2003
Whitefield	NH - U.S.A.	Biomass	16	100	2001
Wolf Hollow	TX - U.S.A.	Gas	730	100	2003
			2,877		

SOUTH AMERICA

Alicura	Argentina	Hydro	1,040	99	2000
Central Dique	Argentina	Turbo Gas	68	34	1998
Parana	Argentina	Gas/Diesel	845	100	2001
Quebrada de Ullum	Argentina	Hydro	45	100	1998
Rio Juramento	Argentina	Hydro	112	98	1995 - 1996
San Juan	Argentina	Hydro/ Gas	78	98	1996
San Nicolás	Argentina	Coal/Oil/Gas	650	88	1993
			2,838		

EUROPE/ AFRICA

Borsod	Hungary	Coal	171	100	1996
Indian Queens	England, U.K.	Gas/Oil	140	100	1996
Ottana	Italy	Oil	140	100	2001
Tiszapalkonya	Hungary	Coal	250	100	1996
			701		



Competitive Supply Facilities (cont.)

The following table sets forth information regarding the Company's Competitive Supply facilities that are in operation in Asia and the Caribbean at August 31, 2003.

Competitive Supply – Europe/ Africa and Asia

	Location	Fuel	Gross MW	AES Equity Interest (percent)	COD/DA
<u>ASIA</u>					
Altai	Kazakhstan	Hydro/ Coal	3,156	Concession - 100	1997
Ekibastuz	Kazakhstan	Coal	4,000	100	1996
			7,156		
<u>CARIBBEAN</u>					
Colombia 1	Colombia	Gas	90	62	2000
Panama	Panama	Hydro	368	49	1999
			458		
COMPETITIVE SUPPLY OPERATIONAL CAPACITY			14,030		

The following table sets forth information regarding the Company's Competitive Supply facilities that are under construction at August 31, 2003.

Competitive Supply – Under Construction

	Location	Fuel	Gross MW	AES Equity Interest (percent)	COD/DA
Caracoles	Argentina	Hydro	123	100	2006
Panama - Esti	Panama	Hydro	120	49	4Q 2003
Panama - Bayano	Panama	Hydro	24	49	2Q 2004
			267		



II. The Significant Businesses

The following pages of this section provide profiles and descriptions of AES' significant Competitive Supply businesses. The profiles include:

- **Eastern Energy**
- **Panama**

This section also includes shorter profiles of the following other Competitive Supply businesses:

North America

- Deepwater
- Granite Ridge
- Wolf Hollow

South America

- Alicura
- Caracoles/ Punta Negra/ Quebrada de Ullum
- Central Termica San Nicolás
- Parana
- Rio Juramento
- San Juan

Europe/ Africa

- Indian Queens
- Ottana

Asia

- Ekibastuz



Eastern Energy

DESCRIPTION AND STATISTICAL INFORMATION

MW	Commencement/ Acquisition	Dominant Fuel	Region	Location	Business Line	AES Equity Interest
1,268	1999	Coal	North America	USA	Competitive Supply	100%

AES Eastern Energy (AEE) is a combination of four coal-fired generation plants in upstate New York, which includes Somerset, Cayuga, Greenidge and Westover. AEE sells electricity into the power pool managed by the New York Independent System Operator (NYISO) mainly at the New York West and Central Zones.

Somerset and Cayuga account for 77% of AEE's net capacity and provide up to 85% of the overall cash flow to AEE.

AEE's operating strategy is to continue to improve availability and lower operating costs in order to maintain its position as a low cost, reliable and environmentally sound provider of base load capacity. Availability at AEE has continued to be high at above 94%.

(Dollars in Millions)	2000	2001	2002
Revenues	173.5	178.1	173.0



Somerset

THE PHYSICAL ASSETS

Somerset is a 675MW coal-fired facility in Barker, NY, along the southern shore of Lake Ontario. The plant is one of the most efficient plants in the US. It uses Carolina Radiant boiler and General Electric turbine fitted with a wet limestone flue gas desulphurization unit (FGD) and a selective catalytic reduction (SCR) unit. Commercial operations began August 17, 1984.

Cayuga is a 306MW facility in Lansing, NY. It has two coal-fired units consisting of two Combustion Engineering Pulverized Coal boilers, a Westinghouse turbine, and a General Electric turbine. Both units have wet FGD. In addition to Low NOx burners, unit 1 also has an SCR. Commercial operations for the units began in 1955 and 1958. In 1995, Cayuga participated in the Department of Energy Clean Coal Technology Program which provided the emissions technology upgrades and modernization of much of the facility.

Somerset and Cayuga are the only two plants in New York that are fitted with FGD technology and are amongst the cleanest coal technology electricity suppliers in the state. The FGD system allows these plants to reduce SO₂ emissions below the required allowance (85% efficient) and to sell excess SO₂ allowance credits. Installation of the SCR systems at the plants has reduced NO_x emissions below the cap-and-trade allocation programs of the federal NO_x SIP call, Ozone Transport Commission and the NYS Acid Deposition Reduction initiatives.

Greenidge is a 161MW facility in Dresden, NY. It is two units consisting of two Babcock & Wilcox pulverized coal front-fired boilers, one CE pulverized coal tangential fired boiler, one GE 58MW gross non-reheat turbine generator and one GE 108MW gross reheat turbine generator. Commercial operations for both the units began in 1950 and 1953, respectively. Greenidge's reheat unit is equipped with a NO_x control system consisting of an overfire air system and gas reburn.

Westover is a 126MW facility in Johnson City, NY. It is two units consisting of two Foster Wheeler boilers, a Combustion Engineering Pulverized Coal boiler and two Westinghouse turbines. Commercial operations for both the units began in 1946 and 1951, respectively. Westover's reheat unit is equipped with a NO_x control system consisting of a fan boosted overfire air system, which was installed in May of 2003.

SALES AND OPERATIONS

Electricity Sales: As a Competitive Supply business, AEE sells electricity into the power pool managed by NYISO mainly at the New York West and Central Zones. AES Odyssey, a subsidiary of AES, performs power marketing for the units. The hedging strategy allows for the maintenance of varying levels of unhedged capacity as a means to manage operational exposure and to take advantage of some upside opportunities. The hedging guidelines implemented include 90%-95% hedged in the day-ahead market, 60%-80% hedged in the month-ahead market, and 20%-60% hedged a year ahead. AEE hedges lower percentages for off-peak hours. Given that AEE plants operate as baseload units and have low marginal costs, the marketing risk at the business is minimal.

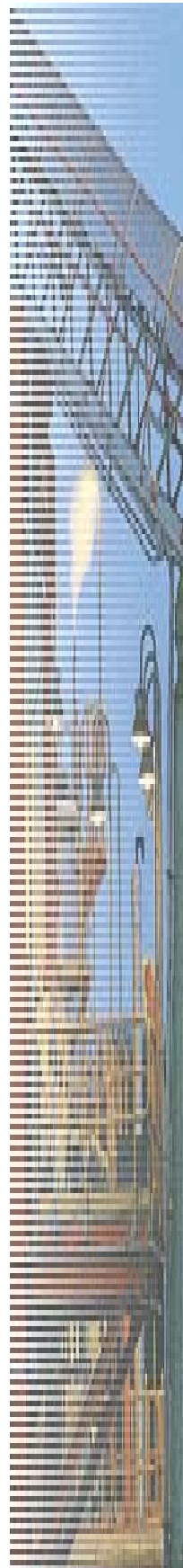
Fuel Supply: AEE has several short-term contracts currently in place. Transportation of fuel is procured under regulated tariffs through the use of two rail systems, Norfolk and Southern and CSX. AEE is well positioned to capture good prices for coal as a result of some competitive advantages in procurement relative to its competitors. The plants are located near to the major coal producers in the Pittsburgh Seam and AEE provides an important market for producers of high and medium sulfur coal.

REGULATION AND MARKETS

Eastern Energy operates within the state of New York and utilizes the transmission grid operated by NYISO. NYISO is a FERC approved ISO and operates the transmission grid, the wholesale energy markets, ancillary service market and capacity market in NY. NYISO is regulated as an electric utility by the Federal Energy Regulatory Commission (FERC) and has an Open Access Transmission Tariff (OATT) on file that incorporates rates and conditions for use of the transmission system and a Market Services Tariff that describes the rules and conditions of use for the various markets. NYISO operations cover a population of more than 18 million with a peak demand of 30,900MW, 11,000 miles of transmission lines and over 360 generating resources totaling more than 35,000MW.

The wholesale power markets are based on a combination of bilateral contracts, CFDs, and NYISO administered day ahead and real time energy markets. The day-ahead energy market is a financially binding, security constrained unit commitment market that includes energy, regulation and operating reserves.

NYISO uses Locational Based Marginal Pricing (LBMP) calculated at each node to represent congestion on the grid. Generators are paid the LMP at their node, while loads are paid a zonal price that is an average of the nodes within a zone. Financial transmission rights are available as Transmission Congestion Contracts (TCC) and are used to hedge congestion risk in the day ahead market. Participants can designate a generator and a delivery point in the NYISO TCC auction and will receive a payment stream based on these two prices that would offset any congestion charges they incur to deliver power between these two points. NYISO also administers reliability requirements set by the New York State Reliability Council, through the determination of capacity obligations of Load Serving Entities (LSEs) and operates an auction for Unforced Capacity (UCAP). UCAP is based on the generating capabilities of the system including the historical forced outage rates. Market power concerns have lead to the imposition of a \$1,000/MWh energy bid cap, the implementation of an Automated Mitigation Procedure (AMP) that can mitigate a generator offer before setting the clearing price and specific New York City bid caps to control local market power.



Panama

DESCRIPTION AND STATISTICAL INFORMATION

MW	Commencement/ Acquisition	Dominant Fuel	Region	Location	Business Line	AES Equity Interest
368	1999	Hydro	Caribbean	Panama	Contract Generation	49%

AES Panama has an aggregate installed generating capacity of 368MW located in the Republic of Panama. AES Panama owns three hydroelectric plants: La Estrella (42MW) and Los Valles (48MW), operated together as the Chiriqui plant; the Bayano plant (236MW); and a gas turbine plant (42MW) which burns light distillate No. 2 fuel oil. AES acquired 49% of the two government-owned generation companies, Bayano and Chiriqui, in January 1999. AES has operating control through an administration contract. AES merged these companies to form AES Panama S.A. in October 1999. As part of the acquisition, AES also acquired the rights to develop, construct and operate the Esti Project, a new 120MW hydroelectric project. The project is expected to commence operations in the fourth quarter of 2003. AES owns 49% of the businesses. The government of Panama retained a 49% interest with the remaining 2% available to be purchased by former employees.

(Dollars in Millions)	2000	2001	2002
Revenues	73.5	68.5	59.8



Bayano

SALES AND OPERATIONS

Electricity Sales: Panama sells electricity under various power purchase agreements to three distribution companies within Panama. Panama has a 10 year PPA related to the 120MW Esti hydroelectric project which is currently under construction. Esti will represent approximately 24% of AES Panama's output. In addition Panama has PPAs that were part of the privatization, and PPAs from recently won bids. These PPAs range in tenor and expire in 2003, 2004, 2005. Panama expects to replace these contracts when they expire with new ones, as recently accomplished in the last 6 bids that the business has won. Panama contracts its firm capacity and energy under the offtake structure of the PPA. Firm Capacity is the plant capacity allowed to contract based on adjustments for hydrology and plant design (for example, reservoir characteristics).

The 120MW Esti hydroelectric project at Panama is projected to be completed in late 2003. Panama is also in the process of upgrading two units and adding a third unit at the Bayano for an additional 24MW to be completed early 2004. These expansion projects will increase revenues and improve the Company's total revenue/MWh.

O&M Operator: Panama is operated by a subsidiary of AES.

REGULATIONS AND MARKETS

The Panamanian power sector was restructured in 1997 and privatized in 1998 to strengthen the entire industry, improve reliability and service, and promote private investment. The Panamanian government completed the restructuring of the national public electric monopoly and separated the utility into three distribution companies, four generation companies and one transmission company. The Panamanian electric system operates with both contract and spot markets. The regulatory framework establishes the operation of generation plants on a merit-order dispatch basis. Dispatch priority is determined based on audited variable operating costs with the last unit dispatched determining the marginal cost of the system. Hydroelectric plants are dispatched in such a way as to optimize the use of water and to ensure all of their available water is used.

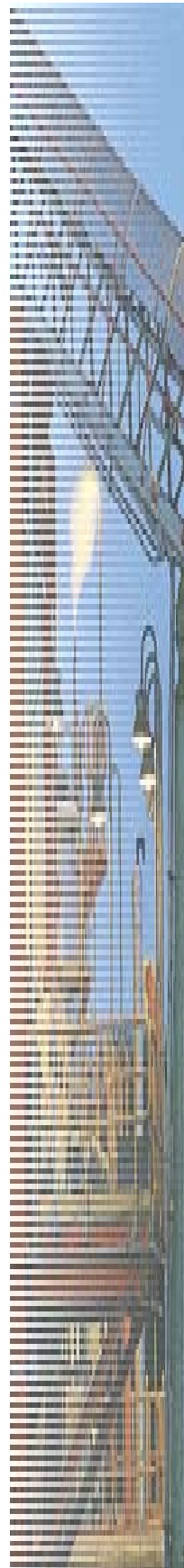
At the time of privatization, the distribution companies were assigned PPAs with each of the generators, sufficient to meet the generators' peak energy demand requirements. The cost of electricity of the distribution companies is a direct pass-through. The system is designed to preserve the financial health of the distribution companies and the entire electricity sector.

REGULATIONS AND MARKETS (cont.)

Distribution companies are required to contract 100% of their annual energy requirements (with up to 15% from self-generation, if available), reducing uncertainty for generators and consumers.

Currently, power is being supplied by the privatized generation companies and new generation companies that have entered the market. The country of Panama has total installed generating capacity of approximately 1,128MW.

Since the privatization, the electricity market has continued to operate according to the privatization law and regulations. Generation is an unregulated business in Panama.



III. AES Competitive Supply- Other Businesses

NORTH AMERICA

DEEPWATER – U.S.A.

Deepwater is a 143MW petroleum coke-fired cogeneration plant located in Pasadena, Texas, near the Houston Ship Channel. The facility utilizes a Foster-Wheeler arch-fired boiler, a Brown Boveri single flow, extraction condensing turbine, two poles, three-phase, 13.8kV air-cooled generator and a Babcock and Wilcox three-stage flue gas cleaning system supplied by Babcock & Wilcox. The plant was the first project developed by AES and has been in continuous operation since 1986. Deepwater generally operates as a merchant plant in the Electric Reliability Council of Texas (ERCOT) market. Currently, it has a two year contract with TXU Electric and Gas that expires December 31, 2004. Any excess power and energy not delivered to TXU is sold to Reliant Energy-Houston Lighting and Power. The facility has a 5 year fuel supply agreement with TCP through December 31, 2003. Deepwater is 100% owned by AES.

GRANITE RIDGE – U.S.A.

Granite Ridge is a 720MW gas-fired cogeneration plant located within the approximately 100-acre industrially zoned Londonderry Ecological-Industrial Park, 1.5 miles south of the Manchester Airport in New Hampshire. The facility utilizes two Siemens Westinghouse 501G gas turbines and one Siemens Westinghouse Type KN steam turbine. The project commenced construction in September 2000 and achieved commercial operation in March, 2003. Granite Ridge will operate as a merchant plant, selling electricity directly into the New England Power Pool (NEPOOL) managed by the Independent System Operator of New England (ISO-NE). AES Odyssey, a wholly-owned subsidiary of AES will perform power marketing for the facility. Capacity will also be sold on a bilateral basis. Granite Ridge falls in the first half of the dispatch curve for the market after low cost generators such as hydro, nuclear, and coal, but ahead of other combined cycle gas plants with its wet cooled, high efficiency “G” class turbines (approximately 6,800btu/kwh, HHV). Granite Ridge has a 5 year natural gas purchase agreement with El Paso Merchant Energy. At the project’s option, it may extend the term of the gas purchase agreement by an additional five years. Granite Ridge has a 20 year gas transportation agreement with Tennessee Gas Pipeline Company (TGP), which takes effect from the commencement date. The project also has a 20 year gas transportation agreement with a subsidiary of Keyspan for the gas lateral from the TGP line to the plant, effective October 2001. Granite Ridge is 100% owned by AES.

WOLF HOLLOW – U.S.A.

Wolf Hollow is a 730MW natural gas fired combined cycle generation plant in Granbury, 40 miles southwest of Fort Worth, Texas. The facility consists of a 2x2x1 501G Mitsubishi power island with two MHI501G gas turbines, two Deltak heat recovery steam generators (HRSG), and one MHI steam turbine. The project declared commercial operation in its PPA in August 2003. Wolf Hollow has contracted to sell approximately 50% (350MW) of its capacity to Exelon Generating Company (EGC) under a 20 year PPA. Wolf Hollow will sell the remainder of its capacity into the power pool managed by the Electricity Reliability Council of Texas (ERCOT). Wolf Hollow has entered into a 60 month execution services agreement with Constellation Energy to perform power marketing and scheduling services for the sale to third parties of capacity generated in excess of the requirements under the EGC PPA. The agreement commenced on August 1, 2002. Natural gas costs for the contracted capacity will be passed through to EGC based on a guaranteed heat rate schedule. Wolf Hollow also has a 30-year firm transportation contract with El Paso Corporation, effective October 2000; interruptible fuel transportation with TXU/LSP for 14 years, effective May 2002; and an 8 year fuel management agreement with El Paso Merchant Energy effective March 2001. Wolf Hollow is 100% owned by AES.

LATIN AMERICA**ALICURA – ARGENTINA**

Alicura is a 1,040MW hydro-facility located in Neuquen province, Argentina. The facility utilizes four Allis Chalmers turbines and Toshiba generators. AES completed acquisition of 99.8% of Alicura in August 2000.

CARACOLAS/PUNTA NEGRA/QUEBRADA DE ULLUM – ARGENTINA

In November 1997, AES Caracoles S.R.L (Caracoles) a wholly-owned subsidiary of AES was awarded a Concession granted by the Government of San Juan, Argentina, to construct and operate Los Caracoles (123MW) and Punta Negra (60MW) hydroelectric plants. Quebrada de Ullum (45MW), a smaller existing hydroelectric plant, was also part of the concession agreement. Caracoles assumed operation of Quebrada de Ullum in April 1998. Ownership of the Caracoles projects will be transferred to the Province of San Juan after 30 years of operations. On December 6, 2002, Caracoles successfully restructured the Caracoles-Punta Negra Project via a comprehensive agreement reached with the Government of the Province of San Juan. Caracoles has agreed to remain as the operator of the project, and to select a new construction company to complete the Project, receiving an operation and maintenance fee as well as the funds from the operation necessary to recover AES's original investment in the Project.

CENTRAL TERMICA SAN NICOLÁS – ARGENTINA

Central Termica San Nicolás (CTSN) is a 650MW coal, oil and gas-fired plant located in the city of San Nicolás, Argentina. CTSN is the sixth largest thermal plant in Argentina. The facility consists of five operational generating units, the largest of which is 350MW and can be fueled by either oil, coal, natural gas, and/or a blend of coal and petroleum coke. Of the remaining four 75MW units, two are currently fueled with natural gas, oil or coal and two are capable of being fueled with either oil or natural gas. AES acquired CTSN in May 1993. CTSN is owned by a partnership comprised of AES and plant business people through a stock ownership plan. CTSN is 88% owned by AES. CTSN currently has an exportation contract to Brazil for 80MW, which represents approximately monthly revenues for \$400,000, through this has recently come under additional pressure. CTSN's projections assume that this contract is not honored, but sales into the spot market are made.

PARANA – ARGENTINA

Parana, an 845MW net gas-fired combined-cycle power plant is located adjacent to, and shares certain facilities with the CTSN power plant in San Nicolas, Argentina. The plant began providing commercial service in September 2001 as one of the most efficient thermal power generators in the country. The plant will sell its output directly into the Argentine spot market at prevailing prices. The long-term gas supply contract price is partially hedged against the electrical spot market price. Parana is owned 100% by AES.

RIO JURAMENTO – ARGENTINA

Hidroeléctrica Rio Juramento (HRJ) consists of a two hydroelectric plants, Cabra Corral with 102MW and El Tunal with 10MW, located in the northwest of Argentina's Salta Province, 850 miles from Buenos Aires. The project was acquired by AES in November 1995. HRJ is the only facility in the country with seasonal storage that is not centrally dispatched. Energy produced is sold into the Argentine spot market. HRJ is 98% owned by AES. The remaining 2%, which is owned by the government, is marked for future transfer to an employee stock ownership plan.

SAN JUAN – ARGENTINA

San Juan is a 78MW electric generating company located in San Juan Province, Argentina. San Juan consists of two plants: The 45MW hydroelectric plant, Ullum, which consists of two 22.5MW operational generating units; and the 33MW thermal plant, Sarmiento, which consists of three 11MW operational generating units. The project's electrical output is sold in the Argentine spot market. San Juan is 98% owned by AES. The government retained the remaining 2% in HTSJ for future transfer to an employee stock ownership plan.

EUROPE/AFRICA

INDIAN QUEENS – ENGLAND

AES Indian Queens Power Limited is a 140MW oil-fired, simple cycle plant located in Cornwall, England. The facility utilizes an OCGT, GE Frame 9E turbine. AES acquired Indian Queens in 1996. Indian Queens has a broad-based reserve contract with the National Grid Company to provide electricity and grid stabilization services and bids into the Electricity Pool of England and Wales. Indian Queens has a fuel supply agreement with Conoco with fuel price being adjusted to average monthly market price, which expires in May 2003. Indian Queens is 100% owned by AES.

OTTANA – ITALY

AES Ottana is a 140MW oil-fired combined heat and power plant, which also produces compressed air, refrigerated water, nitrogen and demineralized water. The facility is located within a Petrochemical complex in Ottana, Italy. The facility utilizes Franco Tosi Turbines, Asgen Generators, and Breda Termomeccanica Boilers. AES completed acquisition of Ottana in March, 2001. Ottana's contracts are with various on-site off-takers and with an electricity retailing company. The fuel supply agreements are priced to Platt's Marketscan. Ottana is 100% owned by AES.

ASIA/PACIFIC

EKIBASTUZ – KAZAKHSTAN

Ekibastuz is a 4,000MW mine-mouth coal-fired power plant located in Ekibastuz, Kazakhstan. It was purchased in August 1996 from the Republic of Kazakhstan. The plant is comprised of eight 500MW turbines. Coal for the plant is provided by an open pit mine located 25 kilometers from the station. Heavy fuel oil is used for start-up and as a reserve fuel. Currently, Ekibastuz has contracts for roughly 350MW of power with industrial consumers and distribution companies, and is therefore operating mostly as a merchant plant competing for direct sales in the Kazakhstan power market. Opportunities exist to export to the Russian grid as well, given the negotiation of a mutually satisfactory power purchase contract. Ekibastuz is 100% owned by AES.

Section Four

LARGE UTILITIES LINE OF BUSINESS



I. Large Utilities Facilities

The following tables set forth information regarding the Company's Large Utilities facilities that are in operation as of August 31, 2003.

Large Utilities - Generation

NORTH AMERICA

IPL

Location	Number of Customers	Network (KM)	Approx. Gigawatt Hours	Interest (percent)
U.S.A.	450,000	5,600	16,256	100

IPL - Generation Facilities

Location	Fuel	Gross MW	AES Equity Interest (percent)	COD/DA
IN - U.S.A.	Coal/ Gas	3,059	100	2001

SOUTH AMERICA

Eletropaulo

Location	Number of Customers	Network (KM)	Approx. Gigawatt Hours	Interest (percent)
Brazil	5,014,300	300,000	32,451	70

CARIBBEAN

EDC

Location	Number of Customers	Network (KM)	Approx. Gigawatt Hours	Interest (percent)
Venezuela	1,199,805	31,912	10,779	87

EDC - Generation Facilities

Location	Fuel	Gross MW	AES Equity Interest (percent)	COD/DA
Venezuela	Thermal	2,316	87	2000



II. The Significant Businesses

The following pages of this section provide profiles and descriptions of AES's significant Large Utilities businesses. The profiles include:

- EDC
- Eletropaulo
- IPALCO



EDC

DESCRIPTION AND STATISTICAL INFORMATION

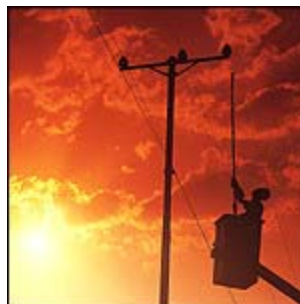
MW/GWH	Network (km)	Number of Customers	Region	Location	Business Line	AES Equity Interest
2,316/10,779	31,912	Thermal/1,199,805	Caribbean	Venezuela	Large Utilities	87%

Grupo EDC is comprised of two companies, C.A. La Electricidad de Caracas (EDC) and Corporacion EDC (CEDC). EDC is a vertically integrated regulated utility that generates, transmits and distributes electricity principally to metropolitan Caracas and surrounding areas. It is the largest private sector electric utility in Venezuela. EDC was founded in 1895.

EDC has an aggregate thermal generating capacity of 2,316MW. EDC's transmission and distribution network covers 31,912km and represents approximately 15% of the Venezuelan energy consumption.

(Dollars in Millions)

	2000	2001	2002
Revenues	493.9	805.6	633.6



THE BUSINESS

In 1997, EDC underwent a reorganization of its business, dividing its regulated electricity business in Venezuela from all other corporate investments. CEDC was established in September 1997 as a holding company for all business other than regulated electricity business in Venezuela. In November 1997, EDC spun off CEDC to shareholders through the issuance of separate shares. The two companies' shares trade together as "stapled shares" on the Venezuelan stock exchanges. In June 2000, pursuant to its tender offer for American Depositary Shares (ADS), a subsidiary of AES purchased for cash approximately 35 million ADSs, (each representing 50 shares) of EDC. Also in June, pursuant to its tender offer for all outstanding shares of EDC, a subsidiary of AES purchased approximately 1.1 billion shares of EDC. These purchases brought AES's ownership interest in EDC to approximately 81%. Subsequently, AES's total ownership reached approximately 87% due to a stock buyback program initiated by EDC in July 2000.

SALES AND OPERATION

Electricity Sales: EDC does not have a formal concession agreement with the government, but the business has operated successfully in Metropolitan area of Caracas for about 107 years and currently serves 1.2 million customers. The Ministry of Mines and Energy is planning to issue a transitory concession at year-end 2002 or early 2003, which will most likely include service area and quality of service parameters. The electricity law states that integrated utilities must separate their business units in 2004. Upon separation, the transitory concession will be transferred to the distribution company as a 30 year concession.

Venezuela's two main regulatory bodies issued a joint new tariff rate regime applicable for 1999 through 2002. On April 4, 2002 a resolution was published which set new tariff levels for the remainder of 2002. This resolution provides the application of a Price Adjustment Factor (PAF), which adjusts tariffs whenever changes in the macroeconomic variables exceed the parameters previously established for the tariffs calculation. The tariff is also determined by a fuel adjustment factor "CACE" which adjusts tariffs based upon the variance between the projected fuel mix and actual fuel mix for the same month of EDC generator's production. Given that tariff adjustment can be an imperfect mechanism, especially due to Venezuela's extreme macroeconomic variables and the political ramifications of tariff increases, EDC mitigates the risk to its cash flows through tough negotiation with the regulator, cost control, export sales to the interconnected system and currency hedging strategies.

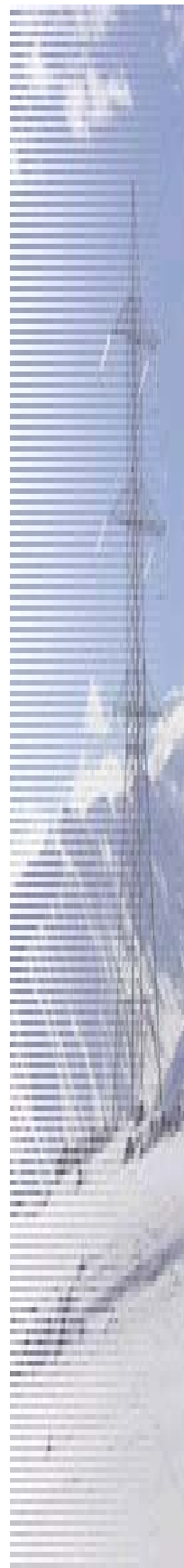
Energy and Fuel Supply: EDC is mostly self-sufficient, generating the majority of its electricity requirements for retail sales. From time to time, EDC purchases energy from EDELCA, the major government-owned generator in Venezuela. EDC purchases gas for its generating units from Petroleos de Venezuela (PDVSA) under an annual supply contract, in which pricing is fixed by the government.

REGULATION AND MARKETS

Venezuela's Ministry of Energy and Mines, through the State Electricity Office, determines overall policy for Venezuela's electricity subsector. The Electric Energy Regulatory Commission (CREE) was formed in 1992 to handle electricity tariffs, though no regular schedule of tariff adjustments has been maintained over the past several years. The electric utility industry in Venezuela is regulated by the Electric Service Law approved in December, 2001, which superseded the law approved in 1999 and other regulations. The 1989 articles related to the standards for the documentation of tariffs of the Electric Utility Services are still effective until new standards for tariffs are approved.

The Electricity Law made several changes to the regulatory structure of Venezuela's electricity subsector, the most significant being allowing private sector participation in electricity generation and transmission. The Law also mandated that utilities cannot be vertically integrated to include generation, transmission, and distribution activities -- these must be done by separate, independent companies. The deadline for this unbundling was recently extended to January 2004. The Venezuelan Government intends to diversify from its current overdependence on hydroelectric generation. This process has been and will be delayed, however, because of difficulties in obtaining financing owing to a very troubled national economy.

The Venezuelan electricity sector is a mixture of state-owned utilities, comprising the majority of the sector, and some private companies. EDELCA is the largest generation company in Venezuela, generating over 70% of the country's electricity. The country's largest private sector generating company is ELECAR.



Eletropaulo

DESCRIPTION AND STATISTICAL INFORMATION

GWH	Network (km)	Number of Customers	Region	Location	Business Line	AES Equity Interest
32,451	300,000	5,014,300	South America	Brazil	Large Utilities	70%

Eletropaulo is the electric distribution company for the city of São Paulo, Brazil, and surrounding areas. Eletropaulo has a network of 300,000km..

Eletropaulo was privatized in March 1998. It was purchased at an auction in April 1998 by Lightgas, a wholly owned subsidiary of Light Servicos de Eletricidade S.A (Light). In 1999, AES and EdF jointly acquired shares of Light, owned at that time by a consortium of investors. In February 2002, AES exchanged with EdF 24% interest in Light for 88% interest in AES Elpa (formerly Lightgas). These actions concluded the acquisition process and gave AES a controlling interest in Eletropaulo capital by increasing its ownership to 68% of voting capital and 70% of the total capital.

(Dollars in Millions)	2000	2001	2002
Revenues	0.0	0.0	1,751.6



SALES AND OPERATIONS

Electricity Sales: Eletropaulo has served the São Paulo area for over 100 years and is the largest distribution company in Latin America in terms of revenues. Eletropaulo was granted a 30 year concession in 1998 that may be extended at the discretion of Agência Nacional de Energia Elétrica (ANEEL). The company presently serves approximately 5 million customer connections. The service area is a 4,526 km² area that has 15.2 million inhabitants with the highest per capita purchasing power in Brazil, accounting for 15% of Brazil's GDP. Eletropaulo has a monopoly franchise but is subject to extensive local, state and national regulation relating to ownership, marketing, delivery and pricing of electricity, with a focus on protecting customers.

The tariffs are subject to regulatory supervision by ANEEL, which establishes the maximum tariffs allowed based on voltage levels, seasonal variation and time-of-day. Tariffs are increased (or decreased) to reflect manageable and unmanageable costs. Unmanageable costs (Parcel A) include the cost of energy purchases (including the exchange foreign rate variation included in the cost of energy purchased from Itaipu), taxes, regulatory charges, and transmission charges. These costs are passed through to consumers. Manageable costs (Parcel B), such as operational expenses, are adjusted for inflation through application of the general Market Price Index (IGP-M). Additionally, an X-factor, will be determined by ANEEL to enable ANEEL to regulate the sharing of the Company's cost savings with customers. However, its calculation methodology is still to be defined and will be subject to a Public Hearing. Until 2003, the X-factor has been set at zero, resulting in all cost savings accumulated during this period accruing to the Company.

Purchased Power: Eletropaulo and other distributors purchase power under contract from Itaipu (12,600MW), Furnas Centrais Elétricas (10,795MW), Companhia Energetica de São Paulo (7,300MW), EMAE (1,359MW), AES Tietê (2,600MW), and Paranapanema (2,330MW).

The Itaipu contract extends through 2023. The remaining contracts are “initial contracts”, which will begin to ramp down in 2003 by 25% increments, in a transition to competitive power markets, in which distributors would have to procure power either through the spot market or through bilateral contracts. Purchases from Itaipu are denominated in US dollars, while the other supply contracts are in Brazilian reais.

REGULATION AND MARKETS

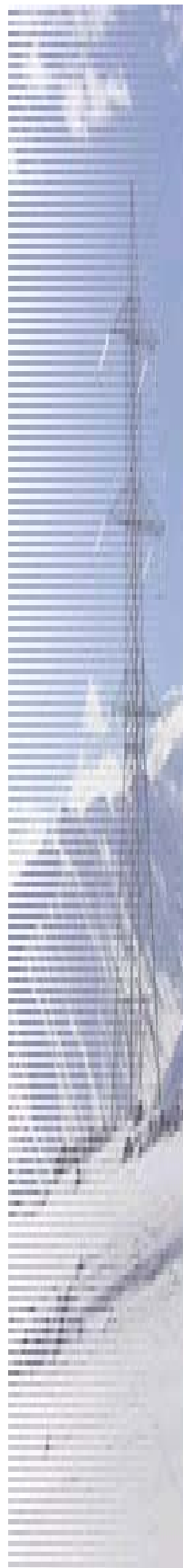
The electric industry in Brazil is controlled by the government through three agencies. Eletrobrás is the holding company for government-owned electric assets and is the manager for the national transmission grid. The Ministry of Mining and Energy (MME) is responsible for the planning of supply. The regulator is ANEEL, which is responsible for regulating the provision of most electricity services including generation, distribution and transmission. A national system operator (ONS) is responsible for system planning and dispatch.

ANEEL grants concessions (distribution and generation) through a bidding process and approves rate increase requests. Concession contracts guarantee the pass through of all non-manageable expenses (such as taxes, inflation and energy purchases) to clients, and also require ANEEL's consent to effect any transactions with affiliated companies, such as inter-company loans or service contracts. In order to avoid exposure to volatile spot energy prices, distributors are required to purchase at least 85% of their energy requirements through long-term contracts.

The Brazilian government began restructuring the electricity sector in 1995, with the intent of disaggregating the business functions of the sector and creating a competitive power market. On January 9, 2002, the government announced a comprehensive package of measures it hopes will allow it to move forward with deregulation and ensure an increasingly private investor-friendly, competitive environment with a more effective and widely accepted spot market and incentives to increase generating capacity.

Around 75% of Brazil's power is generated from hydropower. The country's remaining electricity generation capacity comes from coal and an ever-increasing amount from natural gas. Brazil's small northern and larger southern electrical grids were joined in January 1999 into one grid that serves 98% of the country. Brazil's domestic supply is augmented by imports of electricity from neighboring Argentina.

In 2001, Brazil faced a critical electricity shortage which resulted from insufficient rainfall and underinvestment in the industry. A power rationing program, effective June 2001 through March 2002, prevented rolling blackouts. Restrictions began to ease in 2002 ending completely on March 1. To ensure more reliable supply in the future, government plans call for about 20,000MW of new capacity (both natural gas-fired and hydropower), about 1,000MW of imports from Argentina, boosting non-hydro renewable generation, and adding over 2,190km of transmission lines.



IPALCO

DESCRIPTION AND STATISTICAL INFORMATION

MW/GWH	Network (Km)	Number of Customers	Region	Location	Business Line	AES Equity Interest
3059/16,256	5,600	450,000	North America	USA	Large Utilities	100%

IPALCO is a holding company with two subsidiaries: IPL, a vertically integrated utility, and Mid-America Capital Resources Inc., a holding company for unregulated activities, which have been sold or substantially eliminated. IPL's business consists of generation, transmission, distribution and sale of electric energy in the City of Indianapolis and neighboring cities, town communities, and adjacent rural areas all within the state of Indiana.

IPL owns coal-fired and gas-fired plants, which include Eagle Valley Plant (364MW); Harding Street Station (944MW); Petersburg plant (1,672MW); Georgetown Combustion Turbine (79MW). IPALCO was incorporated in 1983. AES completed the acquisition of IPALCO in a stock-for-stock pooling transaction in March 2001, for an aggregated purchase price of \$2.15B and \$890 million in assumed debt and preferred stock.

(Dollars in Millions)	2000	2001	2002
Revenues	858.5	828.0	818.1



SALES AND OPERATIONS

Retail Electricity Sales: IPL has an exclusive service territory in central Indiana pursuant to state statute, in which it serves a diverse group of retail customers. 90% of IPL's revenues are derived from retail electricity sales, with less than 10% from wholesale sales, depending primarily on the wholesale price of electricity and IPL's available capacity to produce electricity after servicing its retail customers. No single retail customer accounts for more than 2% of IPL's revenues. IPL's tariffs for electric service to retail customers are set and approved by the Indiana Utility Regulatory Commission (IURC) after public hearings. In addition, under the Elect Plan, IPL's small customers have the opportunity to choose optional service or payment plans, which include a green power option, a fixed rate per unit of consumption and a fixed bill option. The rates are currently regulated according to an operating income cap of \$163 million.

Wholesale Electricity Sales: From time to time IPL enters into wholesale contracts to provide electricity in the future at fixed prices. Wholesale energy prices can vary significantly based upon current market conditions, primarily energy supply and demand. IPL electric system is directly interconnected with Indiana Michigan Power Company, PSI Energy, Southern Indiana Gas and Electric Company, Wabash Valley Power Association, Hoosier Energy Rural Electric Cooperative, the Indiana Municipal Power Agency, West Fork Land Development Company and DTE Georgetown, LLC. IPL is also a member of the East Central Area Reliability Group (ECAR).

Fuel: IPL's long-term coal contracts with five Indiana suppliers provide for the major portion of its requirements through the year 2005. Approximately 50% of coal is from one supplier with contracts of supply from three different mines. A fuel adjustment charge provision, which is established after public hearing, is applicable to most of the rate schedules of IPL and permits the billing or crediting of estimated fuel costs above or below the levels included in such rate schedules.

IPL's production costs are in line with ECAR, and ECAR is one of the lowest-cost regions in the nation.

Construction program: IPL's construction program for the four-year period 2002-2005 is estimated to cost up to \$450 million and is expected to be financed through some additional debt at IPL and from internally generated operating cash flow. The capital requirements are primarily related to IPL's construction expenditures needed to meet customer's needs for electricity, for environmental compliance and for energy and outage management systems.

REGULATION AND MARKETS

IPALCO is a regulated utility located in Indiana and is under the jurisdiction of the FERC and the Indiana Utility Regulatory Commission (IURC). There is currently no centralized wholesale power market in the Midwest. Many utilities are still vertically integrated and bilateral contracts are the only method to conduct business between buyers and sellers. The region is characterized by multiple Control Areas, and a traditional Investor Owned Utility (IOU) regulated structure that uses curtailment of bilateral transactions through the use of Transmission Loading Relief (TLR) procedure to relieve congestion on the grid.

The Midwest Independent System Operator (MISO) is a FERC approved RTO and currently administers the calculation of Available Transmission Capacity (ATC) over all of the transmission lines of participating utilities, acts as the security coordinator and administers the OATT. The MISO has a plan for a phased implementation of day head and real time energy markets, using locational marginal pricing and financial transmission rights by the second quarter of 2004. The MISO will also implement a market mitigation plan that utilizes a \$1,000/MWh bid cap and AMP similar to the NYISO.

IPALCO also has the opportunity to join one of the Independent Transmission Companies (ITCs) that have formed in the Midwest and will operate within the MISO footprint. ITCs will be allowed to perform certain planning and development functions within their footprint. The FERC has issued decisions that would allow increased equity returns for new transmission investment by ITCs.

IURC favorable ratemaking principles include a fuel adjustment mechanism, a preapproval process for new construction projects and for environmental compliance, and alternative and incentive-based ratemaking.



Section Five

GROWTH DISTRIBUTION **LINE OF BUSINESS**



I. Growth Distribution Facilities

The following tables set forth information regarding the Company's Growth Distribution facilities that are in operation as of August 31, 2003.

Growth Distribution – Generation

SOUTH AMERICA

	Location	Number of Customers	Network (KM)	Approx. Gigawatt Hours	Interest (percent)
Eden & Edes	Argentina	412,945	20,575	2,281	60
Edelap	Argentina	275,963	7,500	2,029	90
Sul	Brazil	977,111	50,448	8,725	98

EUROPE/AFRICA

	Location	Number of Customers	Network (KM)	Approx. Gigawatt Hours	Interest (percent)
Kievoblenergo	Ukraine	763,000	43,675	3,840	75
Rivneenergo	Ukraine	383,000	26,749	1,700	75
SONEL	Cameroon	470,000	23,679	3,500	56

	Location	Fuel	Gross MW	AES Equity Interest (percent)	COD/DA
SONEL - Generation Facilities	Cameroon	Hydro/Diesel	850	56	2001

ASIA

	Location	Number of Customers	Network (KM)	Approx. Gigawatt Hours	Interest (percent)
Eastern Kazakhstan REC	Kazakhstan	271,000	19,030	1,383	0
Semipalatinsk REC	Kazakhstan	181,086	18,439	1,024	0

CARIBBEAN

	Location	Number of Customers	Network (KM)	Approx. Gigawatt Hours	Interest (percent)
EDE Este	Dom. Republic	350,000	2,612	2,990	50
El Salvador	El Salvador	924,706	17,952	2,656	64-89



II. The Significant Businesses

The following pages of this section provide profiles and descriptions of AES' significant Growth Distribution businesses. The profiles include:

- Ede Este
- El Salvador
- Sul

This section also includes shorter profiles of the following other Growth Distribution businesses:

South America

- Eden & Edes
- Edelap

Europe/ Africa

- Kievoblenergo/ Rivneenergo
- Sonel

Asia

- Altai/ East Kazakhstan/ Semipalatensk Recs



Ede Este

DESCRIPTION AND STATISTICAL INFORMATION

GWH	Network (km)	Number of Customers	Region	Location	Business Line	AES Equity Interest
2990	2,612	350,000	Caribbean	Dominican Republic	Growth Distribution	50%

Empresa Distribuidora de Electricidad del Este (EDE ESTE) is a regional distribution company located in Santo Domingo, Dominican Republic. EDE ESTE's concession area, which includes the eastern half of the capital city, Santo Domingo, represents approximately 11,000 km² and two million people.

In August 1999, AES completed the acquisition of 50% of the shares of EDE ESTE. The remaining shares are owned by Corporacion Dominicana de Empresas Electricas Estables (CDEEE), formerly 49% and former employees (1%).

(Dollars in Millions)	2000	2001	2002
Revenues	198.8	313.9	301.3



SALES AND OPERATIONS

Electricity Sales: EDE ESTE has a 40 year exclusive distribution concession for its regional area and serves approximately 350,000 customers. The Superintendency of Electricity regulates tariffs of distribution companies for the supply of electricity and other services to regulated consumers. For market transactions involving unregulated users, energy prices can be freely established in contracts between parties, but long term contracts must be publicly bid. Prospects for favorable sales growth are closely tied to the country's economic performance. The Dominican economy can be highly volatile as it is closely correlated to commodity oil prices, and has recently experienced a severe devaluation of its currency. However, the distribution companies tariff are hedged against currency devaluation.

Electricity Purchases: EDE ESTE purchases electricity from Itabo (100MW), Haina (100MW) and Los Mina (210MW) under 15 year power purchase agreements (PPAs), effective 2001. CDE (60MW) provides EDE ESTE with electricity under a 2 year contract effective 2001, and Andres (300MW) provides EDE ESTE with electricity under a 15 year PPA effective 2003.

Operations: EDE ESTE is operated and managed by a subsidiary of AES Corp. under a 40 year administration contract. EDE ESTE has invested over \$87 million to date in a program to improve service and reduce losses. This has resulted in improvements in both collections and service quality.

REGULATION AND MARKETS

At the end of 1954, the electric system of the Dominican Republic was largely privately owned. The Compañía Eléctrica de Santo Domingo (“CESD”) had been founded in 1928 and authorized by a presidential decree to service the city of Santo Domingo and expand the country’s transmission grid. In 1955, the Dominican government modified the electrical sector by acquiring CESD and created the CDE, with the responsibility of expanding the supply of electricity to consumers in the country.

Private sector participation in the Dominican electric system was minimal until the early 1970s, when private generators began incorporating generation plants, selling their electrical output to CDE pursuant to PPAs. In 1996, following the election of President Leonel Fernández, an initiative was undertaken to privatize various state-owned enterprises, including CDE. The Reform Law enacted in 1997 triggered the reform of the electric sector.

CDE was restructured into seven companies in 1999, with all of CDE’s thermoelectric generation assets transferred to two generation companies – Itabo and Haina – and all of CDE’s distribution assets transferred to three distribution companies – EDE Norte, EDE Sur and EDE Este. All hydroelectric generation assets and the national transmission grid were left with CDE, which also maintained many of its supervisory and management functions over the electric sector.

While the Dominican government has privatized much of the electricity sector, the state retains its oversight functions over the entire sector through The National Energy Commission and the Superintendency of Electricity. Among other responsibilities, the Superintendency creates, enforces and analyzes the structure and pricing levels of electricity; establishes the tariffs and fees and authorizes the modifications requested by electric companies pursuant to indexation formulas; and awards provisional concessions for generation, transmission and distribution of electricity. The Coordinating Body (Organismo Coordinador) is responsible for planning and coordinating the operation of the generation plants and transmission lines with the purpose of assuring a safe and reliable supply at minimal cost.

The control of transmission and hydroelectric generation is held by Empresa de Transmisión Eléctrica Dominicana (ETED) and a hydroelectric company Empresa de Generación Hidroeléctrica Dominicana (EGEHID). A third company, Corporación Dominicana de Empresas Eléctricas Estatales (CDEEE) leads and coordinates the operation of various electric companies in the sector, carries out the government’s programs for electrification in poor rural and suburban communities, and manages the various PPAs and IPPs.

The tariffs of distribution companies for the supply of electricity and other services to regulated consumers within their concession areas is regulated. For market transactions involving unregulated users, energy prices can be freely established in contract between the parties. Sale of electricity pursuant to long term contracts between a generator and a distribution company must be set by public bid. To ensure the operation of the spot market, the Superintendency ensures that the sale of electricity under contract does not exceed 80% of the total demand of the interconnected electric system.



El Salvador

DESCRIPTION AND STATISTICAL INFORMATION

CAESS	GWH	Network (km)	Number of Customers	Region	Location	Business Line	AES Equity Interest
	1,662	4,284	460,846	Caribbean	El Salvador	Growth Distribution	75%

EEO	GWH	Network (km)	Number of Customers	Region	Location	Business Line	AES Equity Interest
	349	6,237	177,414	Caribbean	El Salvador	Growth Distribution	89%

CLESA	GWH	Network (km)	Number of Customers	Region	Location	Business Line	AES Equity Interest
	567	6,302	238,904	Caribbean	El Salvador	Growth Distribution	64%

AES El Salvador is comprised of distribution businesses which include CAESS which covers central and northern El Salvador, EEO which distributes electricity in the eastern region and CLESA which covers the western region of the country.

CAESS

(Dollars in Millions)	2000	2001	2002
Revenues	44.9	206.8	189.5

EEO

(Dollars in Millions)	2000	2001	2002
Revenues	12.3	52.7	52.5

CLESA

(Dollars in Millions)	2000	2001	2002
Revenues	82.2	81.2	75.7



THE BUSINESSES

CAESS (Compañía de Alumbrado Eléctrico de San Salvador S.A. de C.V.) is the largest distribution company in El Salvador in terms of customers and sales. Its distribution network covers the central and northern regions of El Salvador, including the majority of San Salvador, the capital city. CAESS has over 460,000 customers and a network of 4,284km. AES acquired 75.1% of CAESS in 2000. CAESS holds a 98.32% interest in DEUSEM, an electricity distribution company with a distribution network of 1,129 km in the south eastern part of the country. DEUSEM serves 47,542 customers.

EEO (Empresa Eléctrica de Oriente) distributes electricity primarily to municipalities and urban districts within the eastern region of El Salvador. EEO has approximately 177,400 customers and a network of 6,237km. AES owns 89.1% of EEO.

CLESA is a distribution company whose network covers approximately 6,302km in western El Salvador. CLESA serves approximately 239,000 customers. AES acquired 64% (16% subsidiary of ENEL and 20% local shareholders) and operating control of CLESA in 1998 during the privatization of the sector. CLESA's service territory is largely rural. Higher growth is expected compared to the more established service territory of San Salvador.

SALES AND OPERATIONS

Electricity Sales: There are no concession areas in El Salvador. Distribution companies, large industrial consumers and retailers are permitted to build distribution lines parallel to the existing networks. In order to retain its customer base, AES El Salvador continues to improve the relationship with its clients through increased services, engineering support and limited discounts. AES El Salvador continues to work with the regulator to maintain exclusive distribution franchises.

CAESS has stable operations with some opportunities for improvement. The company has experienced an expanding customer base as it benefits from San Salvador City urban development which is providing new communities in the CAESS service area. CAESS has also taken advantage of the government's rural electrification program through a local agency (FINET) which supports construction of distribution lines and the refurbishment of old lines in the lowest income areas within CAESS's service territory.

EEO is positioned to benefit from a project at the Port of CUTUCO within its territory. The project is a joint venture between El Salvador and the Japanese government. It will employ over 1,000 people and may increase demand at EEO by approximately 20%. The port is expected to commence operations in 2006.

CLESA is involved in an effort to cut costs in order to offset a reduction in its distribution tariff. CLESA's strong relationships with local governments and unions are helping the company to retain and add to its customer base.

Together, the AES distribution companies in El Salvador are working to take advantage of the economies of scale across their operations by establishing a service company (SERVICO). SERVICO will streamline the commercial and financial operations at market prices and improve operating efficiencies from regulatory confiscation.

REGULATION AND MARKETS

El Salvador, Panama, Costa Rica, Guatemala, Nicaragua, and Honduras have signed a treaty expressing their willingness to create a single electricity market in Central America. The main objective of the treaty is to foster the development of a regional competitive electric market. The biggest obstacle for the participants is crafting an approach that allows the integrated system to work within the confines of each country's existing electric market structure. Each of the markets within Central America is in a different phase of transitioning to a competitive market. The two extremes are El Salvador, which has implemented full wholesale and some retail competition, and Costa Rica, which maintains a government-owned monopoly over most of its electric assets. El Salvador created a new regulatory framework when the country passed the electricity laws and by-laws in 1996 and 1997. The Superintendencia General de Electricidad y Telecomunicaciones (SIGET) was created to implement and enforce the laws for the electricity and telecommunication sectors. The five distribution companies have been privatized. El Salvador has a free electricity market with no concession area for distribution companies (parallel lines are allowed and even encouraged) and competition in all segments of the industry. Tariffs for transmission and distribution are regulated and set by SIGET and are subject to review every four years, with annual adjustment for changes in CPI. Wholesale prices for energy are set on an hourly basis via day ahead bidding and the wholesale market price sets the cap that distribution companies are allowed to charge for energy (plus allowed losses). Retail competition exists for all customer categories and there is a regulated monthly charge per-customer that is intended to cover the cost of customer service. This charge is reset in a regulatory proceeding every year. In April 2003, changes to the Electricity Law were passed, in response to popular perception that energy prices were too high and that competition is not working. The changes will give SIGET absolute power to set tariffs. El Salvador has about 990MW of electric generation capacity. Energy demand has been growing at about 6% per year since 1987. Comisión Ejecutiva Hidroeléctrica del Río Lempa (CEL), the state-owned transmission and generation company, expects demand growth to remain at about 6% for the next 15 years. Much of the demand growth is because only about 70% of the population has access to electricity. CEL estimates that El Salvador will need an additional 1,100MW of capacity by 2010 to meet the projected demand for electricity.



Sul

DESCRIPTION AND STATISTICAL INFORMATION

GWH	Network (km)	Number of Customers	Region	Location	Business Line	AES Equity Interest
8,725	50,448	977,111	South America	Brazil	Growth Distribution	98%

AES Sul Distribuidora Gaucha de Energia S.A. (Sul) is an electricity distribution company in the state of Rio Grande do Sul, Brazil, which borders Argentina and Uruguay in the West. The system consists of 50,448 km of distribution lines. Sul was acquired by AES in October 1997, in the privatization process conducted by the state government. AES indirectly owns 97.5% of the outstanding shares of Sul.

Prior to the privatization, AES Sul was one of the three distribution companies formed through the break-up of Companhia Estadual de Energia Elétrica ("CEEE"), the state-owned electric company that supplied the State of Rio Grande do Sul.

(Dollars in Millions)

	2000	2001	2002
Revenues	411.7	531.2	214.0



SALES AND OPERATIONS

Electricity Sales: Sul's concession area covers approximately 35% of the state in the center-west region of the Brazilian State of Rio Grande do Sul which has the fourth largest economy and is the largest exporter in Brazil. The state has over 3.3 million inhabitants and an energy demand growth rate that has historically outpaced the Brazilian GDP. Sul serves approximately 977,111 customers, roughly split (by volume in MWh) into 39% industrial, 23% residential, 17% rural, 12% commercial and 9% municipal/public lighting.

Sul has a 30 year exclusive concession to distribute electricity. The tariffs are subject to regulatory supervision by ANEEL, which establishes the maximum tariffs allowed based on voltage levels, seasonal variation and time-of-day.

Sul's tariffs are set for a 6 year period with subsequent resets to be made every 5 years, annual indexed adjustments for controllable costs, and a pass through of uncontrollable costs. Technically, controllable costs increase by an inflation factor minus a productivity factor X, which is currently set at zero. Material changes in uncontrollable costs, the most significant being power purchases, can be passed through on an as-needed basis. Since changes in capital costs are not independently included in the formula, Sul is exposed to exchange rate risk as a result of devaluation or depreciation of the real against the dollar.

Purchased Power: In order to avoid exposure to volatile spot energy prices, distributors are required to purchase at least 85% of their energy requirements through long-term contracts. Sul's total contracted position for 2003 is 95%. Power is supplied by 5 major sources including Companhia Estadual de Energia Elétrica under a hydro contract through 2007, representing 1% of energy; Companhia de Geração Térmica de Energia Elétrica under a thermal contract through 2012, which will decrease 10% per year beginning in 2003 and currently represents 9% of supply; Gerasul under an initial hydro contract, which will decrease 25% per year after 2003, representing 39% of needs in 2002 and 49% of contracted supply; Itaipu under a compulsory hydro power purchase through 2023, representing 24% of 2000 energy mix; AES Uruguiana under a 20 year bilateral contract representing 37.4% of the power at a 500 MW gas-fired plant. In addition, AES Sul has a 70MW average supplemental bilateral contract, which is subject to VN pricing.

REGULATION AND MARKETS

The electric industry in Brazil is controlled by the government through three agencies. Eletrobrás is the holding company for government-owned electric assets and is the manager for the national transmission grid. The Ministry of Mining and Energy (MME) is responsible for the planning of supply. The regulator is ANEEL, which is responsible for regulating the provision of most electricity services including generation, distribution and transmission. A national system operator (ONS) is responsible for system planning and dispatch.

ANEEL grants concessions (distribution and generation) through a bidding process and approves rate increase requests. Concession contracts guarantee the pass through of all non-manageable expenses (such as taxes, inflation and energy purchases) to clients, and also require ANEEL's consent to effect any transactions with affiliated companies, such as inter-company loans or service contracts. In order to avoid exposure to volatile spot energy prices, distributors are required to purchase at least 85% of their energy requirements through long-term contracts.

The Brazilian government began restructuring the electricity sector in 1995, with the intent of disaggregating the business functions of the sector and creating a competitive power market. On January 9, 2002, the government announced a comprehensive package of measures it hopes will allow it to move forward with deregulation and ensure an increasingly private investor-friendly, competitive environment with a more effective and widely accepted spot market and incentives to increase generating capacity.

Around 75% of Brazil's power is generated from hydropower. The country's remaining electricity generation capacity comes from coal and an ever-increasing amount from natural gas. Brazil's small northern and larger southern electrical grids were joined in January 1999 into one grid that serves 98% of the country. Brazil's domestic supply is augmented by imports of electricity from neighboring Argentina.

In 2001, Brazil faced a critical electricity shortage which resulted from insufficient rainfall and underinvestment in the industry. A power rationing program, effective June 2001 through March 2002, prevented rolling blackouts. Restrictions began to ease in 2002 ending completely on March 1. To ensure more reliable supply in the future, government plans call for about 20,000MW of new capacity (both natural gas-fired and hydropower), about 1,000MW of imports from Argentina, boosting non-hydro renewable generation, and adding over 2,190km of transmission lines.



III. Growth Distribution – Other Businesses

SOUTH AMERICA

EDEN & EDES – ARGENTINA

Empresa Distribuidora de Energia Norte (EDEN) is dedicated to the distribution and commercialization of electric energy in the northern and central areas of Buenos Aires Province and is organized in 35 branches. AES owns 60% of EDEN. Empresa Distribuidora de Energia Sur (EDES) is dedicated to the distribution and commercialization of electric energy in the northern and central areas of Buenos Aires Province and is organized in 13 branches. AES owns 60% of EDES. EDEN and EDES serve approximately 413,000 customers altogether and have a combined network of 20,575km. EDEN and EDES began their operations in June 1997 and since then, have invested together more than \$168 million in the improvements and expansion of the system.

EDELAP – ARGENTINA

EDELAP emerged from the break up of the former company Segba with a concession area that includes the cities of La Plata, Berisso, Ensenada, Punto Indio, Brandsen and Magdalena in the province of Buenos Aires. EDELAP distributes electric energy to approximately 276,000 end users along 7,500km of electric lines. EDELAP is 90% owned by AES.

EUROPE/AFRICA

KIEVOBLENERGO/ RIVNEENERGO - UKRAINE

Kievoblenergo is a distribution company that serves 763,000 customers and has a network of 43,675km in the region that surrounds Kiev, the capital city of the Ukraine. Kievoblenergo is one of the largest distribution companies in the Ukraine. Rivneenergo is a distribution company that serves 383,000 customers and has a network of 26,749km in Rivne province of the Ukraine. AES acquired control of both companies in 2001. AES owns 75% of both Kievoblenergo and Rivneenergo.

SONEL - CAMEROON

AES SONEL is an integrated utility and the sole provider of electricity to the entire country of Cameroon, in West Africa. AES SONEL owns 850MW of generation capacity (90% hydro) and has about 470,000 customers and has a network of 23,679km. AES SONEL has a 20 year concession which became effective on July 01, 2001. AES SONEL revenues account for just under 2% of the country's GDP. AES SONEL is a public-private partnership between AES (56%) and the State of Cameroon (44%).

ASIA/ PACIFIC

ALTAI POWER/EAST KAZAKHSTAN REC/ SEMIPALATINSK REC - KAZAKHSTAN

Altai Power is a combined business that has electric generation capacity of 3,156MW and a thermal capacity of 2,500 Gcal in addition to distribution facilities. AES acquired ownership of the cogeneration plants and a 20 year concession over two hydroelectric plants on the Irtysh River in Eastern Kazakhstan, in 1997. In order to have direct access to the ultimate customer, AES acquired management control of Ust-Kamenogorsk HeatNets system. In addition, AES negotiated a long term management agreement for control of two regional distribution companies, East Kazakhstan Regional Electricity Distribution Company (REC) and Semipalatinsk REC. This control provides a reliable customer base for the generation assets and enables direct control of end-user collections for the group's production. East Kazakhstan REC has approximately 271,000 customers and a network of 19,030km. Semipalatinsk REC has approximately 181,086 customers and a network of 18,439km. Of the energy sold by East Kazakhstan REC, 23% is to residential customers, 32% to industrial customers, 6.9% to commercial customers and the remainder to others. Of the energy sold by Semipalatinsk REC, 20% is to residential customers, 35% to industrial customers, 6% to commercial customers and the remainder to others.

Section Six

Parent (Holding Company) **Information**



1. Understanding the Holding Company

The AES Corporation is a holding company (the “Parent”) that conducts all of its operations through its subsidiaries. The diagram below presents a conceptual summary overview of the corporate structure of the Company; please note that this diagram does not represent a complete and legally accurate corporate structure for the Company.

The AES Corporation (NYSE: AES)

Recourse Debt (June 30, 2003):	\$ 5,585M
Market Equity Capitalization (June 30, 2003):	\$ 3,985M
Shares Outstanding (June 30, 2003):	619.7M
State of Incorporation:	Delaware

North America

Revenue:	\$	2,092M
Gross Margin	\$	821M
Subsidiary Dist:	\$	624M

<u>Project</u>	<u>Business Segment</u>	<u>Equity Int. %</u>	<u>Non-Rec. Debt (\$M)</u>
Beaver Valley	CG	100	14
Granite Ridge	CS	100	287
Hawaii	CG	100	189
IPALCO	LU	100	1,386
Ironwood	CG	100	306
New York	CS	100	171
Red Oak	CG	100	381
Shady Point	CG	100	180
Southland	CG	100	667
Warrior Run	CG	100	370
Wolf Hollow	CS	100	285
Total			4,236

South America

Revenue:	\$	2,896M
Gross Margin	\$	434M
Subsidiary Dist:	\$	88M

<u>Project</u>	<u>Business Segment</u>	<u>Equity Int. %</u>	<u>Non-Rec. Debt (\$M)</u>
Edelap	GD	60	102
Eden/Edes	GD	60	199
Eletropaulo	LU	70	2,487
Gener	CG	98	1,352
Parana	CS	67	53
Sul	GD	98	330
Tiete	CG	53	856
Uruguaiana	CG	100	4
Comm. Bolivia			21
Total			5,404

Caribbean

Revenue:	\$	1,455M
Gross Margin	\$	335M
Subsidiary Dist:	\$	77M

<u>Project</u>	<u>Business Segment</u>	<u>Equity Int. %</u>	<u>Non-Rec. Debt (\$M)</u>
Andres	CG	100	107
CAESS	GD	75	202
CLESA	GD	64	66
EDC	LU	87	734
Ede Este	GD	50	9
Los Mina	CG	100	25
Merida	CG	55	151
Panama	CS	49	233
Puerto Rico	CG	100	931
Total			2,458

Asia

Revenue:	\$	393M
Gross Margin	\$	158M
Subsidiary Dist:	\$	186M

<u>Project</u>	<u>Business Segment</u>	<u>Equity Int. %</u>	<u>Non-Rec. Debt (\$M)</u>
Altai	GD	100	4
Barka	CG	85	310
Chigen	CG	34	358
Ekibastuz	CS	100	6
Kelanitissa	CG	90	69
Lal Pir	CG	90	107
Maikuben	Other	100	20
Pak Gen	CG	90	106
Ras Laffan	CG	55	435
Other			13
Total			1,428

Europe/Africa

Revenue:	\$	1,609M
Gross Margin	\$	150M
Subsidiary Dist:	\$	120M

<u>Project</u>	<u>Business Segment</u>	<u>Equity Int. %</u>	<u>Non-Rec. Debt (\$M)</u>
Barry	CS	100	157
Indian Queens	CS	100	72
Kilroot	CG	97	368
SONEL	GD	56	179
Tisza II	CG	100	43
Total			819

Note: Revenue, Gross Margin, and Subsidiary Distributions reflect the fiscal year ending December 31, 2002. Non-Recourse debt is as of June 30, 2003.

- **Ownership of Subsidiaries**

The Parent invests in its subsidiaries primarily in the form of equity investments and, to a lesser extent, through inter-company loans. The consolidated financial statements of the Company include the accounts of the Parent, its subsidiaries and its controlled affiliates on a consolidated basis. Investments in which the Parent has the ability to exercise significant influence but not control (generally, investments less than 50% owned) are accounted for using the equity method.

- **Non-Recourse Financing**

AES has, to the extent practicable, used non-recourse debt and operating cash flows at the subsidiary-level to fund a significant portion of the development, construction and acquisition activity at its subsidiaries. Non-recourse borrowings at the subsidiaries are substantially non-recourse to other subsidiaries and to the Parent, and are generally secured by the capital stock, physical assets, contracts and cash flow of the related subsidiary. In addition, for certain of its subsidiaries, the Parent provides financial guarantees or other credit support for the benefit of lenders or other counter parties at the subsidiary level (see *Parent Capitalization – Guarantees, Letters of Credit and other Contingent or Off-Balance Sheet Obligations* below). Were a subsidiary to default on a debt payment or other counter-party obligation, the Parent would be responsible for the subsidiary's obligation up to the amount provided for in the relevant guarantee or credit support agreement.

- **Parent Cash Flows and Capitalization**

In addition to non-recourse financing noted above, investments by the Parent in its subsidiaries provide a portion, or in certain circumstances all, of the remaining long-term financing or credit required to fund development, construction and acquisition activity at the subsidiary level. The funds for these Parent investments have been and generally are provided by cash flows remitted to the Parent by the subsidiaries and by the proceeds from the issuance of recourse debt, common stock and other securities issued by the Parent (see *Parent Capitalization* below). Cash flows remitted to the Parent by the subsidiaries (typically in the form of dividends, fees, interest payments and returns of capital) in turn service the cash needs of the Parent, including Parent interest expense, debt principal payments, taxes, and other Parent operating expenses (see *Parent Cash Flows* below).

II. Parent Capitalization

The capitalization of the Parent as of July 31, 2003 Pro Forma is summarized in the table below. Additional details regarding the primary classes of debt and equity capital comprising the Parent capital structure are presented in the paragraphs that follow the table. In general, the Parent capital structure has been assembled to fund investments in the subsidiaries, and in turn, is supported by the cash flows that are distributed to the Parent from the subsidiaries.

Security	Principal ^{(3) (4)} Balance (\$MM)	Interest Rate	Maturity	Amortization	Ratings Moody's/ S&P	Security	Guarantees
Senior Secured Credit Facilities							
Sr. Sec. Revolving Credit Facility due 2007 (committed)	\$250	L + 4.000%	31-Jul-07	No	B2/BB	Yes	Yes
Senior Secured Term Loan Facility due 2008	\$700	L + 4.000%	30-Apr-08	No	B2/BB	Yes	Yes
Total Senior Bank Debt	\$950						
Senior Secured Exchange Notes due 2005							
10.00% Senior Secured Notes due 2005	\$258	10.000%	12-Dec-05	Yes	B2/BB	Yes	Yes
Second Priority Senior Secured Notes due 2013 and 2015							
8.75% Second Priority Senior Secured Notes due 2013	\$1,200	8.750%	15-May-13	No	B2/B+	Yes	No
9.00% Second Priority Senior Secured Notes due 2015	\$600	9.000%	15-May-15	No	B2/B+	Yes	No
Total Senior Secured Notes	\$1,800						
Senior Unsecured Notes							
8.00% Senior Notes due 2008	\$156	8.000%	31-Dec-08	No	B3/B-	No	No
9.50% Senior Notes due 2009	\$497	9.500%	1-Jun-09	No	B3/B-	No	No
9.375% Senior Notes due 2010	\$436	9.375%	15-Sep-10	No	B3/B-	No	No
8.375% Senior Notes due 2011 135M GBP ⁽²⁾	\$223	8.375%	1-Mar-11	No	B3/B-	No	No
8.875% Senior Notes due 2011	\$313	8.875%	15-Jan-11	No	B3/B-	No	No
8.75% Senior Notes due 2008	\$239	8.750%	15-Jun-08	No	B3/B-	No	No
Total Senior Notes	\$1,863						
Senior Subordinated Notes							
8.375% Senior Subordinated Notes due 2007	\$263	8.375%	15-Aug-07	No	Caa1/B-	No	No
8.50% Senior Subordinated Notes due 2007	\$304	8.500%	1-Nov-07	No	Caa1/B-	No	No
8.875% Senior Subordinated Notes due 2027	\$115	8.875%	1-Nov-27	Yes	Caa1/B-	No	No
Total Senior Subordinated Notes	\$682						
Convertible Junior Subordinated Debentures							
4.50% Convertible Junior Sub. Debentures due 2005	\$150	4.500%	15-Aug-05	No	Caa2/B-	No	No
Trust Preferreds							
6.75% Trust Preferred III due 2029	\$518	6.750%	15-Oct-29	No	Ca/CCC+	No	No
6.00% Trust Preferred VII due 2008	\$392	6.000%	15-May-08	No	Ca/CCC+	No	No
Total Trust Preferreds	\$910						
Recourse Debt	\$6,613						
	Book	Market	Shares	\$/Share			
	(6/30/03)	(7/31/03)	(MM, 7/31/03)	(7/31/03)			
Equity	\$206	\$3,898	619.7	\$6.29			

⁽¹⁾ Table assumes a fully drawn revolver.

⁽²⁾ Assumes an exchange rate of 1.6503 for the 8.375% Senior Sterling Notes due 2011.

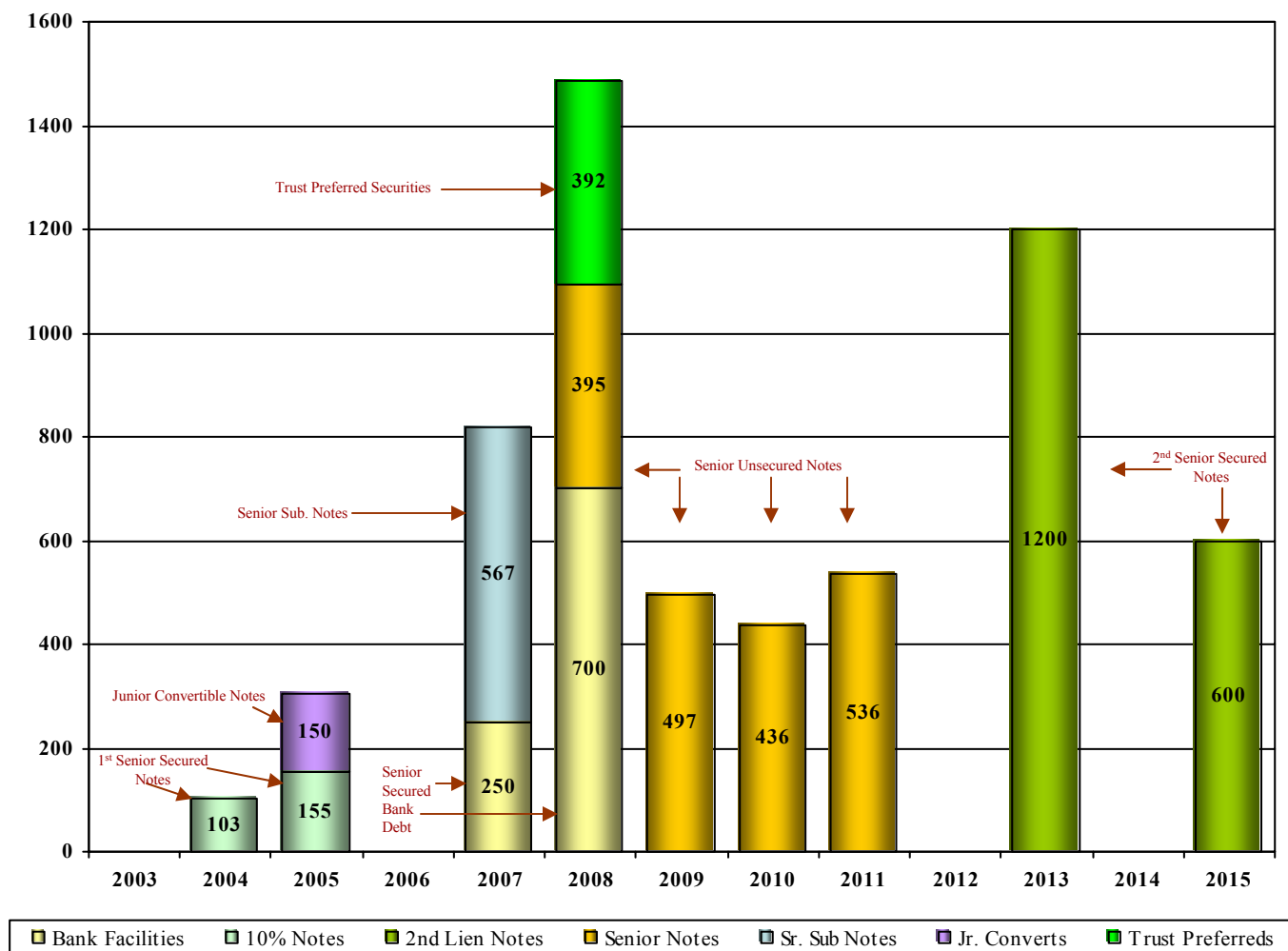
⁽³⁾ In accordance with the Statement of Financial Accounting Standards No. 150, the Company reclassified its Company-obligated convertible mandatorily redeemable preferred securities of subsidiary trusts holding solely junior subordinated debentures of the Company to a liability account beginning July 1, 2003.

⁽⁴⁾ Recourse debt total does not include \$15M of unamortized discount.

⁽⁵⁾ Proforma for redemption in full on August 28, 2003 of 10.25% Senior Subordinated Notes due 2006.

Parent Debt Maturities Schedule (USD \$MM) through 2015

July 31, 2003



Note: Proforma for redemption in full on August 28, 2003 of 10.25% Senior Subordinated Notes due 2006.

The following is a brief summary of the principal terms of the parent's outstanding debt obligations and does not purport to be complete. All of the governing documents have been filed with the SEC and the following summary is qualified in its entirety by reference to such documents.

Senior Secured Credit Facilities

In July 2003, the Parent entered into senior secured credit facilities (the "Bank Facilities") provided by a syndicate of financial institutions. The Bank Facilities are comprised of: (i) a \$250 million revolving credit facility (the "Revolver") maturing on July 31, 2007 and (ii) a \$700 million term loan facility (the "Term Loan") also maturing on July 31, 2007, with a maturity extension to April 30, 2008 provided that the 8.375% Sr. Subordinated Notes due 2007 and the 8.5% Sr. Subordinated Notes due 2007 have been refinanced to a date after April 30, 2008 or repaid in full prior to July 31, 2007. The Revolver and the Term Loan both bear an interest rate of LIBOR + 400 basis points or a base rate + 300 basis points, and the Revolver bears a 50 basis points annual fee on the unused portion of the facility and a 400 basis point annual fee on outstanding and undrawn letters of credit issued under the Revolver. Other terms and conditions of the Bank Facilities are as follows:

- **Ranking, Security and Guarantees.** The Bank Facilities are senior obligations of the Parent and benefit from a first priority perfected security interest in (i) all of the capital stock of each of the material domestic subsidiaries owned directly by the Parent and 65% of the capital stock of each material foreign subsidiary owned directly by the Parent with certain exceptions, and (ii) all material intercompany receivables, notes and tax sharing agreements owed to the Parent by the subsidiaries. The Bank Facilities also benefit from upstream guarantees from the following four intermediate subsidiary holding companies: (i) AES Hawaii Management Company, Inc., (ii) AES Oklahoma Management Co., LLC, (iii) AES Warrior Run Funding LLC, and (iv) AES New York Funding, LLC (and together, the "Guarantors.").
- **Amortization and Mandatory Redemption.** The Bank Facilities have no fixed amortization requirements prior to maturity, other than the primary mandatory redemptions applying to the Term Loan under the following circumstances:
 - **Asset Sales Proceeds.** Net Cash Proceeds from asset sales must be applied pro rata to repay the Bank Facilities and the 10% Secured Notes (as defined below) according to the following sweep percentage – 80% of the next \$375 million of Net Cash Proceeds from asset sales, and thereafter 60% of Net Cash Proceeds from asset sales, provided that the 60% shall be reduced to 50% when and if the Parent's Recourse Debt to Cash Flow ratio is less than 5:1, and provided further that the Bank Facilities shall waive their pro rata redemption for the first \$250 million of Net Cash Proceeds from asset sales accumulating from July 29, 2003 onwards.
 - **Debt Offering Proceeds.** Net Cash Proceeds from the issuance of debt by the Parent (other than refinancings and the first \$225 million proceeds accumulating from July 29, 2003 onwards and certain other exceptions) must be applied 100% to repay the Bank Facilities as long as the Parent's Recourse Debt to Cash Flow ratio is greater than 5:1. Net Cash Proceeds from the issuance of debt by the subsidiaries, the proceeds of which are upstreamed to the Parent, must be applied 75% (after the first \$200million proceeds accumulating from July 29, 2003 onwards) to repay the Bank Facilities, other than such issuances by IPALCO or the Guarantors in which case such sweep percentage is 100%.
- **Certain Covenants.** The Bank Facilities contain the following primary covenants:
 - **Limitation on Debt.** New Debt incurred by the Parent (other than letters of credit, guarantees and other credit support permitted to be provided to the subsidiaries) is generally limited to permitted refinancings and new issuances of debt not subject to the mandatory redemption provisions outlined above. New debt incurred by the subsidiaries is generally limited to permitted refinancing, debt incurred to finance development, construction and operation of a power supply business, and other issuances of debt provided the proceeds are applied in accordance with the mandatory redemption provisions described above.
 - **Limitations on Restricted Payments.** The Parent may not declare or pay any dividends or otherwise acquire for value any of its equity interests other than dividends on and acquisition or refinancing of the Trust Preferred securities.

- **Negative Pledge.** The Parent may not secure additional debt with the security provided to the Bank Facilities other than: (i) the 10% Secured Notes, (ii) the second liens on the security provided to the Second Priority Notes (as defined below), (iii) any debt that refinances the Bank Facilities or the 10% Secured Notes, (iv) letters of credit secured by cash in an amount not to exceed \$200 million, (v) a general basket of additional first lien debt of \$90 million, (vi) hedging obligations up to \$150 million and (vii) other existing secured obligations and certain customary exceptions. To the extent the Parent repays first secured debt, the Parent may issue new first secured debt collateralized by the security package in an amount, when combined with all other first secured debt, not exceeding \$1.4 billion, subject to certain conditions and exceptions.
- **Minimum Collateral Coverage Ratio.** The Parent must maintain a Collateral Coverage Ratio (defined as the adjusted book value of the security interests divided by the amount of permitted first secured debt) in excess of 3:1, to be tested quarterly. The book value of the security interests excludes the book values of Drax and subsidiaries in Brazil and Argentina (together, the “Excluded Subsidiaries”).
- **Maximum Recourse Debt to Cash Flow Ratio.** The Parent must maintain a Recourse Debt to Cash Flow Ratio (defined as Recourse Debt divided by Adjusted Parent Operating Cash Flow for the last four quarters) less than 8.5:1 for Q3 2003, declining over time to 7.5:1 by 2008.
- **Minimum Cash Flow Coverage Ratio.** The Parent must maintain a Cash Flow Coverage Ratio (defined as Adjusted Parent Operating Cash Flow divided by all-in Parent interest for the last four quarters) greater than 1.2:1 for Q3 2003, increasing over time to 1.5:1 by 2008.
- **Limitation on Investments.** The Parent may not make any investments in any Excluded Subsidiaries (as defined above) in an amount greater than \$200 million in the aggregate, so long as the Parent maintains a Recourse Debt to Cash Flow Ratio of greater than 4:1.
- **No Prepayment of Debt.** The Parent may not optionally prepay prior to maturity any unsecured debt or Trust Preferred securities (other than permitted refinancings) in an amount greater than the sum of: (i) \$600 million, (ii) the 10% Secured Notes, (iii) Net Cash Proceeds from asset sales and equity issuances retained by the Parent accumulating from July 29, 2003 onwards, (iv) an additional \$200 million so long as the Parent maintains a minimum liquidity level of \$600 million, and (v) an additional \$250 million so long as the Parent maintains a minimum liquidity level of \$600 million and Recourse Debt to Cash Flow Ratio of less than 5:1.
- **Events of Default.** In addition to customary covenant or payment defaults uncured within the relevant grace period, the following subsidiary events of bankruptcy or other defaults constitute Events of Default under the Parent Bank Facilities:
 - Bankruptcy of any Guarantor or any other subsidiary (other than Excluded Subsidiaries) that constitutes 10% or more of POCF for the last four quarters or 10% of consolidated assets on the date of determination. As of June 30, 2003, IPALCO and Shady Point meet this definition based on POCF. As of June 30, 2003, none meet this definition based on assets.
 - Acceleration of any debt maturity or financing commitment greater than \$50 million of any subsidiary or subsidiaries which in the aggregate account for 15% or more of POCF for the last four quarters. As of June 30, 2003 IPALCO, meets this definition.
 - Judgment defaults greater than \$25 million of any subsidiary which accounts for 10% or more of POCF for the last four quarters or subsidiaries which in the aggregate account for 15% or more of POCF for the last four quarters. As of June 30, 2003, IPALCO and Shady Point meet this definition.

Senior Secured Exchange Notes due 2005

In January 2002, the Parent issued \$258 million of 10% Senior Secured Exchange Notes due December 12, 2005 (the “10% Notes”). The 10% Notes were issued in exchange for: (i) \$84 million of the \$300 million 8.75% Senior Notes due December 2002, and (ii) \$174 million of the \$200 million Remarketable or Redeemable Securities (“ROARS”) due June 2003. The remaining amounts of these securities were redeemed in cash at or prior to maturity. The 10% Notes pay interest semi-annually and are redeemable at the Company’s option at a Treasuries + 100 basis points Makewhole Premium prior to December 15, 2004 and are redeemable at par thereafter. To the extent the Parent’s 4.5% Junior Converts (as defined below) due August 15, 2005 have not been refinanced to mature on a date after August 15, 2005, the 10% Notes will mature on July 15, 2005. Other terms and conditions of the 10% Notes include:

- **Ranking, Security and Guarantees.** The 10% Notes are secured by a lien equally and ratably with the Bank Facilities. The 10% Notes benefit from guarantees from each of the guarantors of the Bank Facilities. The Parent may amend the provisions of the security documents relating to the collateral with the consent of the requisite lenders under the Bank Facilities and without the consent of the 10% Notes, provided that any such amendment or release which would amend or release all or substantially all of the collateral will require the majority consent of the 10% Notes.

Amortization and Mandatory Redemption. 40% of the 10% Notes mature on November 25th, 2004, to the extent they have not been reduced by that time by any of the mandatory redemptions outlined below.

- **Asset Sales Proceeds.** Net Cash Proceeds from certain asset sales must be applied pro rata to repay the Bank Facilities and the 10% Notes according to the following sweep percentage – 80% of the next \$375 million of Net Cash Proceeds from specified asset sales, and thereafter 60% of Net Cash Proceeds from specified asset sales, provided that the 60% shall be reduced to 50% when and if the Parent’s Recourse Debt to Cash Flow ratio is less than 5:1, and provided further that the Bank Facilities shall waive their pro rata redemption for the first \$250 million of Net Cash Proceeds from asset sales accumulating from July 29, 2003 onwards other than such asset sales related to IPALCO or the Guarantors in which case such sweep percentage is 100%.
- **Adjusted Free Cash Flow.** 75% of Adjusted Free Cash Flow (as defined) must, within 60 days of each fiscal year end, be applied to repay the 10% Notes on a pro rata basis, provided that the Parent shall only be required to comply with the required redemption to the extent that, after making such redemption, total Parent liquidity would not be less than \$400 million.
- **Capital Markets Transactions.** To the extent the amount outstanding under the Bank Facilities is zero and all commitments thereunder have been terminated, 50% of the proceeds of certain debt or equity securities issuances by the Parent and, to the extent that the proceeds therefrom are received by the Parent, certain issuances by its subsidiaries must be applied to repay the 10% Notes.

Certain Covenants. The 10% Notes contain the following primary covenants

- **Negative Pledge.** The Parent may not secure additional debt with the security provided to the Bank Facilities other than: (i) the 10% Notes, (ii) the second liens on the security provided to the Second Priority Notes (as defined below), (iii) any debt that refinances the Bank Facilities or the 10% Notes, (iv) letters of credit secured by cash in an amount not to exceed \$200 million, (v) a general basket of additional first lien debt of \$225 million, (vi) hedge obligations (vii) any other obligations permitted to be so secured by the Bank Facilities and (viii) certain other existing secured obligations and certain customary exceptions. To the extent the Parent repays first secured debt, the Parent may issue new first secured debt collateralized by the security package in an amount, when combined with all other first secured debt, not exceeding \$1.4 billion, subject to certain conditions and exceptions.
- **Subsidiary Guarantees.** If any subsidiary shall guarantee any debt under the Bank Facilities (other than the existing guarantees), then the same guarantee shall apply equally and ratably to the 10% Notes.

- **Events of Default.** In addition to customary covenant and payment defaults uncured within the relevant grace periods, certain events of bankruptcy or insolvency (either voluntary or involuntary) by AES or any Material Subsidiary constitute an Event of Default under the 10% Notes. Material Subsidiary is defined to mean, as of any date, any Subsidiary of which AES's proportionate share of such subsidiary's total assets (after intercompany eliminations) exceeds 15% of the total assets of AES on a consolidated basis. As of June 30, 2003, no subsidiaries of AES qualified as Material Subsidiaries.

Second Priority Senior Secured Notes due 2013 and 2015

In May 2003, the Parent issued \$1.2 billion 8.75% Second Priority Senior Secured Notes due May 15, 2013 and \$600 million 9% Second Priority Senior Secured Notes due May 15, 2015 (together, the "Second Lien Notes"). Proceeds from the offering of Second Lien Notes were used to: (i) fund the cash tender of \$1.2 billion face amount of other Parent notes for \$1.085 billion in cash, (ii) repay \$475 million in bank facilities, and (iii) fund working capital, fees and expenses of \$240 million. The Second Lien Notes pay interest semi-annually and are redeemable at the Company's option at a Treasuries + 100 basis points Makewhole Premium prior to May 15, 2008 and thereafter are callable at a premium initially equal to half the coupon declining to par by May 15, 2011. Other terms and conditions of the Second Lien Notes are as follows:

- **Ranking, Security and Guarantees.** The Second Lien Notes are secured by second-priority liens on the collateral securing the first lien debt. The Parent may amend the provisions of the security documents relating to the collateral with the consent of the requisite lenders under the Bank Facilities or, as necessary, the 10% Notes, and without the consent of the Second Lien Notes, provided that any such amendment or release which would amend or release all or substantially all of the collateral will require the majority consent of the Second Lien Notes.
- **Amortization and Mandatory Redemption.** The Second Lien notes have no fixed amortization requirements prior to maturity, other than any mandatory redemption required pursuant to asset sales, if applicable (see below).
- **Certain Covenants.** The Second Priority Notes contain the following primary covenants.
 - **Negative Pledge.** New first or second priority debt secured by the collateral may only be incurred, subject to certain exceptions if, pro forma for such issuance, total first or second priority debt secured by the collateral does not exceed the greater of: (i) 2.75 times POCF (as defined) for the last four quarters, and (ii) \$3.375 billion plus permitted hedging obligations less any permanent reductions in the permitted amount of secured debt. The preceding limitation shall not apply to permitted refinancings of secured debt.
 - **Limitation on Restricted Payments.** Subject to certain exceptions, the Parent may not make any Restricted Payments if after giving effect to such payment: (i) an Event of Default is occurring, (ii) Consolidated Fixed Charge Coverage is less than 1.75:1, or (iii) the aggregate amount of Restricted Payments subsequent to May 8, 2003 would exceed the sum of 50% of cumulative Net Income from April 1, 2003 (100% of a loss), plus net proceeds from equity issuances by the Parent subsequent to May 8, 2003, less optional redemptions of unsecured Parent debt.
 - **Limitations on Asset Dispositions.** Subject to certain exceptions, consideration received for asset sales must be for fair market value and at least 75% cash or property or assets used in a Power Supply Business. Further, the proceeds from such asset sale must be applied either to (i) reduce first secured debt, or (ii) to the extent such reduction is not required by the first secured debt, then reinvested in collateral assets of the business, or (iii) used to offer to purchase the Second Lien Notes.
 - **Subsidiary Guarantees.** If any subsidiary shall guarantee certain specified unsecured notes of AES, then the same guarantee shall apply equally and ratably to the Second Lien Notes.
- **Events of Default.** In addition to customary covenant and payment defaults uncured within the relevant grace periods, certain events of bankruptcy or insolvency (either voluntary or involuntary) by AES or any Material Subsidiary constitute an Event of Default under the Second Lien Notes. Material Subsidiary is defined to mean, as of any date, any Subsidiary of which AES's proportionate share of such subsidiary's total assets (after intercompany eliminations) exceeds 15% of the total assets of AES on a consolidated basis. As of June 30, 2003, no subsidiaries of AES qualified as Material Subsidiaries.

Senior Unsecured Notes – Multiple issues due 2008 and 2011

The Parent has outstanding 6 different issues of Senior Unsecured Notes (together, the “Senior Notes”) aggregating approximately \$1.8 billion face amount due between 2008 and 2011. All of these notes pay interest semi-annually and, with the exception of the 8% Senior Notes due 2008, are redeemable at the Company’s option at a Treasuries + 50 basis points Makewhole Premium to each issue’s maturity date. The 8% Senior Notes due 2008 are currently callable at par. Other terms of the Senior Notes are as follows:

- **Ranking, Security and Guarantees.** The Senior Notes are unsecured and unsubordinated obligations of the Parent ranking pari passu with all other unsecured and unsubordinated obligations of the Parent.
- **Amortization and Mandatory Redemption.** The Senior Notes have no fixed amortization requirements prior to maturity.
- **Certain Covenants.** The Senior Notes contain the following primary covenants.
 - **Restrictions on Secured Debt.** The Senior Notes must be equally and ratably secured with any issuances of Parent debt secured by a lien on any Principal Property owned by the Parent (the Parent does not currently own any Principal Properties) or the capital stock or indebtedness of any first tier subsidiaries held by the Parent, if to the extent such secured debt (including debt attributable to sale and leaseback transactions) exceeds the sum of: (i) 15% of Consolidated Net Assets, defined as total assets less current liabilities as shown in the most recent annual report, and (ii) liens under any credit facilities in an amount not to exceed \$900 million. Such restrictions shall not apply to liens on any property of any subsidiary of the Parent, as well as certain other exceptions.
 - **Restrictions on Sales and Leasebacks.** Sale and leaseback transactions by the Parent involving a Principal Property (the Parent does not currently own any Principal Properties) within 180 days of the acquisition or construction thereof must either: (i) be permissible under the terms of the *Restrictions on Secured Debt* covenant described above, or (ii) the proceeds or fair market value of the transaction must be used to retire debt.
- **Events of Default.** In addition to customary covenant and payment defaults uncured within the relevant grace periods, certain events of bankruptcy or insolvency (either voluntary or involuntary) by AES or any Material Subsidiary constitute an Event of Default under the Senior Notes. Material Subsidiary is defined to mean, as of any date, any Subsidiary of which AES’s proportionate share of such subsidiary’s total assets (after intercompany eliminations) exceeds 15% of the total assets of AES on a consolidated basis. As of June 30, 2003, no subsidiaries of AES qualified as Material Subsidiaries. This Material Subsidiary definition became effective pursuant to the Consent Solicitation which was completed on April 3, 2003, and as a result of the Consent Solicitation, was changed from the definition which originally applied to the Senior Notes.

Senior Subordinated Notes – Multiple issues due 2007 and 2027

The Parent has outstanding 3 different issues of Senior Subordinated Notes (together, the “Senior Sub Notes”) aggregating approximately \$680 million, of which 2 issues are due in 2007 and one issue is due in 2027. The 2007 Senior Sub Notes are currently callable at fixed premiums to par (see table above), and the 2027 Senior Sub Notes are non-callable until November 2004, at which point they become redeemable at the Company’s option at a Treasuries + 50 basis points Makewhole Premium to maturity. All of the Senior Sub Notes pay interest semi-annually. Other terms of the Senior Sub Notes are as follows:

- **Ranking, Security and Guarantees.** The Senior Sub Notes are general unsecured obligations of the Parent and are subordinate to all other senior debt of the Parent. The Senior Sub Notes do not benefit from guarantees by any of the Parent’s subsidiaries.
- **Amortization and Mandatory Redemption.** The 2007 Senior Sub Notes have no fixed amortization requirements prior to maturity. The 2027 Senior Sub Notes are subject to mandatory redemption on a pro rata basis through operation of a mandatory sinking fund on November 1 of each year, commencing November 1, 2008 to and including November 1, 2026. The sinking fund provides for full amortization of the 2027 Senior Sub Notes in equal annual payments (\$6.25 million) between 2008 and maturity.
- **Certain Covenants.** The Senior Sub Notes contain the following primary covenants.
 - **Limitation on Parent Debt.** New debt incurred by the Parent must be permitted under one of the following baskets: (i) debt incurred provided that the pro forma Fixed Charge Coverage ratio is greater than 2:1, (ii) debt incurred under credit agreements in an amount not to exceed \$600 million, (iii) permitted refinancing debt, (iv) permitted intercompany debt, (v) a general debt basket not to exceed \$50 million, and (vi) other customary exceptions.
 - **Limitation on Subsidiary Debt.** New debt incurred by subsidiaries must be permitted under one of the following baskets: (i) non-recourse debt to fund development, acquisition and operations at subsidiaries controlled by the Parent, (ii) permitted refinancing debt, (iii) permitted intercompany debt and guarantees, (iv) subsidiary debt, the proceeds of which are used to fund dividends or returns-of-capital to the Parent, and (v) other significant exceptions.
 - **Limitation on Restricted Payments.** The Parent may not make any Restricted Payments subject to significant exceptions if after giving effect to such payment: (i) an Event of Default is occurring, (ii) Fixed Charge Coverage is less than 2:1, or (iii) the aggregate amount of Restricted Payments would exceed the sum of 50% of cumulative Net Income from April 1, 1997 (100% of a loss), plus net proceeds from equity issuances by the Parent, plus reductions of Restricted Investments and cancelled Restricted Payments, plus a general basket of \$502 million.
 - **Limitation on Dividend and Payment Restrictions Affecting Restricted Subsidiaries.** The Parent is subject to restrictions on granting provisions at subsidiaries that limit subsidiaries’ ability to upstream funds or assets to the Parent, subject to significant exceptions.
 - **Limitation on Additional Tiers of Senior Subordinated Debt.** The Parent is subject to limitations on “layering” tiers of subordinated debt that are senior to the Senior Sub Notes but junior to Senior Debt.
 - **Limitation on Asset Dispositions.** Subject to significant exceptions, consideration received for asset sales must be for fair market value and at least 75% cash or property or assets used in a Power Supply Business. Further, the proceeds from such asset sale must be applied either to (i) reduce senior debt, or (ii) to the extent such reduction is not required by the senior debt, then reinvested in the business, or (iii) used to offer to purchase the Senior Sub Notes.

- **Events of Default.** In addition to customary covenant and payment defaults uncured within the relevant grace periods, certain events of bankruptcy or insolvency (either voluntary or involuntary) by AES or any Material Subsidiary constitute an Event of Default under the Senior Sub Notes. Material Subsidiary is defined to mean, as of any date, any Subsidiary of which AES's proportionate share of such subsidiary's total assets (after intercompany eliminations) exceeds 15% of the total assets of AES on a consolidated basis. As of June 30, 2003, no subsidiaries of AES qualified as Material Subsidiaries. This Material Subsidiary definition and other amendments to the Events of Default became effective pursuant to the Consent Solicitation which was completed on April 3, 2003, and as a result of the Consent Solicitation, this definition and certain Events of Default were changed from those which originally applied to the Senior Sub Notes.

Convertible Junior Subordinated Debentures

In August 1998, the Parent issued \$150 million 4.50% Convertible Junior Subordinated Debentures due August 15, 2005 (the "Junior Converts"). The Junior Converts are listed on the New York Stock Exchange (NYSE), pay interest semi-annually and are currently redeemable at the Parent's option at a price equal to 101.29, reducing to par on August 15, 2004. Other terms of the Junior Converts are as follows:

- **Ranking, Security and Guarantees.** The Junior Converts are unsecured obligations of the Parent and are subordinate to all other senior and senior subordinated debt of the Parent. The Junior Converts do not benefit from guarantees by any of the Parent's subsidiaries.
- **Amortization and Mandatory Redemption.** The Junior Converts have no fixed amortization requirements prior to maturity.
- **Conversion Rights.** The Junior Converts are convertible into Common Stock of the Parent at the option of the holder at any time at or before the earlier of maturity or the second business day preceding any date of redemption, at a conversion price of \$27 per share, subject to adjustment in certain events.
- **Limitation on Additional Tiers of Junior Subordinated Debt.** The Company is subject to limitations on "layering" tiers of junior subordinated debt that are senior to the Junior Converts but junior to Subordinated Debt.
- **Events of Default.** In addition to customary covenant and payment defaults uncured within the relevant grace periods, certain events of bankruptcy or insolvency (either voluntary or involuntary) by AES or any Material Subsidiary constitute an Event of Default under the Junior Converts. Material Subsidiary is defined to mean, as of any date, any Subsidiary of which AES's proportionate share of such subsidiary's total assets (after intercompany eliminations) exceeds 15% of the total assets of AES on a consolidated basis. As of June 30, 2003, no subsidiaries of AES qualified as Material Subsidiaries. This Material Subsidiary definition became effective pursuant to the Consent Solicitation which was completed on April 3, 2003, and as a result of the Consent Solicitation, was changed from the definition which originally applied to the Junior Converts.

Trust Convertible Preferred Securities

In 1999 and 2000, AES Trust III and AES Trust VII (both Delaware business trusts and wholly-owned subsidiaries of the Parent) issued Trust Convertible Preferred Securities (the "Trust Preferreds") in the amounts of \$517.5 million and \$460 million, respectively. The only assets of the respective trusts consist of Junior Subordinated Convertible Debentures (the "Debentures") of equal principal amounts issued by the Parent to the Trust simultaneously with the issuance of the Trust Preferreds. The Debentures pay a quarterly coupon equal to the quarterly distributions paid by the Trust Preferreds to the holders of the securities. The Trust Preferreds are convertible into the common stock of the Parent at any time prior to maturity at the conversion prices listed below. In addition, the Parent has the option to defer cash interest payments on the Debentures for up to 20 consecutive quarters during the tenor of the Debentures, provided that such deferrals will continue to accrue interest. The Debentures are unsecured obligations of the Parent and are subordinate to all other senior and subordinated debt of the Parent and *pari passu* with the Junior Converts.

- **6.75% Trust III due 2029.** The Trust III's were issued in October 1999 in the amount of 10,350,000 securities at a face amount of \$50 per security (\$517.5 million proceeds), paying an annual dividend of \$3.375 per security (6.75% per annum) payable quarterly. The associated Debentures mature on October 15, 2029 and are currently callable at a premium of 104.219%, declining to par on October 15, 2007. The Trust III's are convertible at the option of the holder at any time prior to maturity or redemption at a conversion price of \$35.17.
- **6.00% Trust VII due 2008.** The Trust VII's were issued in May 2000 in the amount of 9,200,000 securities at a face amount of \$50 per security (\$460 million proceeds), paying an annual dividend of \$3.00 per security (6.00% per annum) payable quarterly. The associated Debentures mature on May 15, 2008 and are currently callable at a premium of 103.75%, declining to par at maturity. The Trust VII's are convertible at the option of the holder at any time prior to maturity or redemption at a conversion price of \$46.25. The Trust VII's are listed on the NYSE.

Common Stock

The common stock of the Parent is currently traded on the New York Stock Exchange (NYSE) under the symbol "AES." The number of shares of common stock outstanding on June 30, 2003 was 619,725,595 at a par value of \$0.01 per share, and the number of authorized shares of common stock was 1,200,000,000. The Company is able to issue common stock under a "shelf" registration filed with the SEC in July 2001, pursuant to which the Company originally registered the issuance of up to \$5 billion in one or more registered offerings of debt securities, preferred stock, depository shares, common stock, stock purchase contracts, stock purchase units or warrants.

- **Description of Common Stock.** The holders of common stock are entitled to one vote per share on all matters to be voted on by the stockholders. If the Company liquidates its business, the holders of common stock are entitled to share ratably in all assets after the Company pays its liabilities and the liquidation preference of any outstanding preferred stock, of which there is currently none. The common stock has no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are fully paid and non-assessable. The transfer agent for the Company's common stock is EquiServe.
- **Dividends.** Subject to preferences that may be applicable to any outstanding preferred stock (of which there is currently none), the holders of common stock are entitled to ratably receive dividends as may be declared from time to time by the Company's board of directors out of funds legally available to pay dividends. No cash dividends have been paid on the Company's common stock since December 22, 1993. Under the terms of the current Bank Facility, the Parent is not allowed to pay cash dividends. In addition, the indentures relating to the Senior Sub Notes and the Second Lien Notes contain provisions that would potentially preclude or limit the payment of cash dividends.
- **Options, Warrants, Deferred Compensation Arrangements and Convertible Securities.** The Company's diluted EPS calculations include the dilutive effect of potential common stock pursuant to options, warrants, deferred compensation arrangements and convertible securities. The table below outlines the potential common stock pursuant to these arrangements.

Range of Exercise Prices	Potential Common Stock (in thousands of shares)			
	Options	Warrants	Deferred Compensation Arrangements	Junior Converts and Trust Preferreds
\$0.78 - \$3.24	10,325	-	-	-
\$3.25 - \$9.88	4,878	-	-	-
\$9.89 - \$14.40	19,730	-	-	-
\$14.41 - \$22.85	2,903	-	-	-
\$22.86 - \$58.00	4,496	-	-	28,755
\$58.01 - \$80.00	9	-	-	-
Total	42,342	-	735	28,755

The options represent options granted to employees to purchase shares under four stock option plans – The AES Corporation 2001 Stock Option Plan, The AES Corporation 2001 Non-Officer Stock Option Plan, The AES Corporation 2001 Stock Option Plan for Outside Directors and The AES Corporation 2003 Long-Term Compensation Plan. Under the terms of the plans, the Company may issue options to purchase shares of the Company's common stock at a price equal to 100% of the market price of the date the option is granted. The options become eligible for exercise under various schedules. The Junior Converts and Trust Preferreds represent the underlying shares pertaining to those securities at their respective exercise prices.

Basic and diluted earnings per share computations are based on the weighted average number of shares of common stock and potential common stock outstanding during the period, after giving effect to stock splits. Potential common stock, for purposes of determining diluted earnings per share, includes the dilutive effects of stock options, warrants, deferred compensation arrangements and convertible securities. The effect of such potential common stock is computed using the treasury stock method or the if-converted method, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share" (in millions, except per share amounts).

There were approximately 27,817,179 options outstanding at June 30, 2003 which were omitted from the earnings per share calculation for the three months ended June 30, 2003 because they were antidilutive. All term convertible preferred securities ("Tecons") and convertible debt were also omitted from the earnings per share calculation for the three months ended June 30, 2003 because they were antidilutive. There were approximately 30,433,084 options outstanding at June 30, 2003 that were omitted from the earnings per share calculation for the six months ended June 30, 2003 because they were antidilutive. All Tecons and convertible debt were also omitted from the earnings per share calculation for the six months ended June 30, 2003 because they were antidilutive.

In 2002 and 2003, AES repaid the remaining outstanding amounts under the EDC SELLS and NY SELLS loans. These loans had been secured by, among other things, unregistered common stock of AES. Pursuant to the retirement in full of these loans, the unregistered common stock that had served as collateral was released in full to AES. There are no remaining SELLS loans outstanding, and no remaining unregistered shares of AES common stock held as collateral.

Guarantees, Letters of Credit and other Contingent or Off-Balance Sheet Obligations

The Parent periodically provides guarantees, letters of credit and other financial commitments to the benefit of its subsidiaries and its subsidiaries' counter-parties. At June 30, 2003, the Company had provided outstanding financial and performance related guarantees or other credit support commitments to or for the benefit of its subsidiaries, which were limited by the terms of the agreements, to an aggregate of approximately \$604 million (excluding those collateralized by letter-of-credit obligations discussed below). The Company is also obligated under other commitments, which are limited to amounts, or percentages of amounts, received by AES as distributions from its project subsidiaries. These amounts aggregated \$25 million as of June 30, 2003. In addition, the Company has commitments to fund its equity in projects currently under development or in construction. At June 30, 2003, such commitments to invest amounted to approximately \$31 million (excluding those collateralized by letter-of-credit obligations).

At June 30, 2003, the Company had \$101 million in letters of credit outstanding, which operate to guarantee performance relating to certain project development activities and subsidiary operations. The Company pays a letter-of-credit fee ranging from 0.50% to 6.75% per annum on the outstanding amounts. In addition, the Company had \$4 million in surety bonds outstanding at June 30, 2003.

The table below details guarantees, letters of credit and other contingent or off-balance sheet obligations outstanding as of June 30, 2003.

	Amount	Number of Agreements	Term Range (years)	Maximum Exposure Range for Each Agreement	Credit Enhancements for Non-Recourse Debt	Performance Related Obligations
Guarantees	\$629	73	<1 - 20+	<\$1 - \$100	\$255	\$373
Letters of credit - under the Revolver	82	14	<1 - 2	<\$1 - \$36	36	47
Letters of credit - outside the Revolver	19	2	<2	<\$1 - \$14	0	19
Surety Bonds	4	6	<1	<\$1 - \$3	0	4
Total	\$734	95			\$291	\$443

III. Parent Cash Flows

AES has historically provided investors with parent-only cash flow data, unconsolidated from the Company's subsidiaries. This data is considered an important indicator of the Parent's liquidity due to the non-recourse nature of most of the Company's consolidated debt. The Parent's cash flows for 2002 actual and 2003 actual and projected are presented below. This data reflects cash flows at the Parent level, unconsolidated from the Company's subsidiaries.

(\$ in millions)

Sources

	Q1 2002A	Q2 2002A	Q3 2002A	Q4 2002A	Total 2002	Q1 2003A	Q2 2003A	2003 YTD	YE 2003F
Total distributions from subsidiaries	\$331	\$263	\$252	\$249	\$1,095	\$180	\$300	\$480	\$1,059
Proceeds from asset sales	-	-	251	9	260	630	87	717	984
Net proceeds from debt issuance	-	-	-	1,581	1,581	-	1,688	1,688	2,610
Net proceeds from equity issuance	-	-	-	-	-	-	335	335	335
Bond Exchange	-	-	-	258	258	-	-	-	-
Total returns of capital/ project financing proceeds	-	239	-	-	239	2	30	32	304
Beginning liquidity	565	285	359	395	565	216	489	216	216
Total sources	\$896	\$787	\$862	\$2,492	\$3,998	\$1,028	\$2,929	\$3,468	\$5,508

Uses

	Q1 2002A	Q2 2002A	Q3 2002A	Q4 2002A	Total 2002	Q1 2003A	Q2 2003A	2003 YTD	YE 2003F
Scheduled maturities	\$63	\$63	\$63	\$216	\$405	-	\$26	\$26	\$26
Prepayments with cash	-	-	162	-	162	288	168	456	898
Prepayments with refinancing	-	-	-	1,620	1,620	-	1,560	1,560	2,530
Investments in subsidiaries, net	398	214	81	32	725	64	16	80	277
Selling, general, & administrative expenses	14	11	7	2	34	34	38	72	115
Cash payments for interest	136	140	154	148	578	153	142	295	572
Bond Exchange	-	-	-	258	258	-	-	-	-
Other	-	-	-	-	-	-	(12)	(12)	6
Ending liquidity	285	359	395	216	216	489	991	991	1,084
Total uses	\$896	\$787	\$862	\$2,492	\$3,998	\$1,028	\$2,929	\$3,468	\$5,508

Note: See Appendix A for GAAP reconciliation. 2002 Total returns of capital/ project financing proceeds reflects only project financing proceeds. Returns of capital are reflected as an offset in Investments from subsidiaries.

- Total Subsidiary Distributions.** Total subsidiary distributions represent distributions (excluding returns of capital) in cash by the subsidiaries to the Parent and to qualified holding companies (QHCs) of the Parent. Distributions are primarily comprised of dividends, consulting and management fees, inter-company interest payments, and tax sharing payments received by the Parent in cash from the subsidiaries, after subsidiaries meet all cash requirements at the subsidiary-level for operations, capital expenditures, non-recourse debt principal and interest payments and any other cash needs. QHCs are Parent subsidiaries domiciled outside of the United States, with no contractual restrictions on their ability to send cash to the Parent. Cash at QHCs is used for investments and related activities outside the US, including equity investments and loans to other foreign subsidiaries as well as development and general costs and expenses incurred outside the US (for 2002, this includes a reduction due to overhead costs of \$48 million).
- Proceeds from Asset Sales.** Proceeds from asset sales represent cash proceeds received by the Parent from asset sales, net of transaction fees, expenses and taxes and net of any non-recourse debt assumed by the purchaser or repaid in conjunction with the sale. In summary, "proceeds from asset sales" represents the after-tax cash proceeds from the Parent's sale of its equity stake in any business. Asset sales included in the forecast for 2003 include the completed sales of CILCORP, four businesses in Africa and Australia, and the Mountainview project in California, as well as agreed sales (pending closing) of the Bangladesh businesses and a minority stake in the Middle Eastern businesses known as AES Oasis. Asset sales in 2002 represent the sale of New Energy, a domestic retail marketing subsidiary.

- **Proceeds from Debt Issuance and Equity Issuance, Net.** Proceeds from Debt Issuance and Equity Issuance reflect proceeds from issuances by the Parent of bank debt, debt securities and equity securities, net of transaction costs and expenses. This figure excludes financing conducted at the subsidiary level. The forecast for 2003 includes the \$1.8 billion Second Lien Note offering in May, the \$346 million Common Stock offering in June, and the \$950 million Bank Facility in July, all net of transaction costs and expenses. Actual results for 2002 primarily reflect the Parent bank facilities refinancing and bond exchange in Q4'02.
- **Total Returns of Capital.** Total Returns of Capital represent cash redemptions of the Parent's investments in subsidiaries, funded partially by non-recourse financings at the subsidiary level. These subsidiary-level recapitalization proceeds are shown net of transaction fees, expenses and taxes. The forecast for 2003 primarily includes returns of capital pursuant to non-recourse financings at CHIGEN (closed), Hawaii (closed) and Ebute (projected). Actual results for 2002 primarily reflect returns of capital funded by non-recourse financings at Puerto Rico and Kilroot.
- **Scheduled Maturities.** Scheduled maturities reflect fixed debt amortization requirements at the Parent. This figure excludes optional redemptions of debt by the Parent and any pay-downs pursuant to mandatory redemption provisions (such as asset sale sweeps) in any Parent debt agreements. In addition, this figure excludes any scheduled maturities at the subsidiary level. The forecast for 2003 reflects only the \$26 million maturity of the ROARS on June 15, 2003. Actual results for 2002 reflect the payment in full of the Rhino Trusts in the first three quarters of 2002, and in the fourth quarter the repayments at maturity of that portion of the 8.75% Senior Notes due December 2002 that did not participate in the contemporaneous bond exchange.
- **Prepayments with Cash, Equity Proceeds and Financing Proceeds.** Prepayments with Cash, Equity Proceeds and Financing Proceeds reflects both optional redemptions of Parent debt, as well as any pay-downs pursuant to mandatory redemption provisions (such as asset sale sweeps) in any Parent debt agreements, in each case funded by available Parent cash or proceeds from any Parent debt or equity financings. This figure excludes any debt prepayments at the subsidiary level. The forecast for 2003 includes both permanent reductions of debt and refinancings of debt. Actual results for 2002 reflect the payment of 25% of the then outstanding balance of the NY SELLS and EDC SELLS loans with proceeds from the sale of New Energy.
- **Investments in Subsidiaries, Net.** Investments in Subsidiaries reflects cash investments by the Parent or QHCs into subsidiaries to finance construction, development, and acquisitions, and in some cases, operating cash requirements and legal settlement costs at the subsidiary level. Investments are made primarily in the form of equity investments and, to a lesser extent, through intercompany loans. Investments in Subsidiaries excludes capital expenditures at the subsidiary level funded by subsidiary cash flows from operations or financing. Capital expenditures in AES's consolidated financial statements reflect capital expenditures at the subsidiary level regardless of how those expenditures are funded (whether by investments from the Parent or by subsidiary cash flow and non-recourse financing).
- **Selling, General and Administrative Expenses.** This line item reflects Parent level cash expenses for Parent overhead costs, development costs incurred by the Parent, and cash taxes paid by the Parent. These costs are incurred primarily by Parent headquarters in Arlington and also by regional development and administrative offices around the world. This figure excludes any SG&A, overhead, development or tax expenses incurred and paid at the operating subsidiary level.
- **Cash Payments for Interest.** This line item reflects cash interest expense at the Parent level on Parent debt and Trust Preferred securities. This figure excludes interest expense at the subsidiary level. In addition, amounts shown are not calculated on an accrued basis but instead when the interest was paid in cash.
- **Liquidity.** Liquidity represents unrestricted cash and cash equivalents at the Parent and at QHCs, as well as availability under the Parent's Revolving Facility. This figure excludes cash and availability under credit facilities at the subsidiary level.

Appendix A

Appendix A: Parent Only Data

Dollars in Millions

	March 31, 2002 Actual	June 30, 2002 Actual	September 30, 2002 Actual	December 31, 2002 Actual	March 31, 2003 Actual	June 30, 2003 Actual	December 31, 2003 Forecast
Total subsidiary distributions & returns of capital to Parent							
Subsidiary distributions to Parent	\$ 282	\$ 197	\$ 176	\$ 149	\$ 136	\$ 312	\$ 1,054
Net distributions to/(from) QHCs ⁽¹⁾	49	66	76	100	44	(12)	5
Total subsidiary distributions	331	263	252	249	180	300	1,059
Returns of capital distributions to Parent	43	14	4	23	2	24	298
Net returns of capital distributions to/(from) QHCs ⁽¹⁾	0	-	-	-	-	6	6
Total returns of capital distributions	43	14	4	23	2	30	304
Combined distributions & return of capital received	374	277	256	272	182	330	1,363
Less: combined net distributions & returns of capital to/(from) QHCs ⁽¹⁾	(49)	(66)	(76)	(100)	(44)	6	(11)
Total subsidiary distributions & returns of capital to Parent	\$ 325	\$ 211	\$ 180	\$ 172	\$ 138	\$ 336	\$ 1,352

Liquidity ⁽²⁾

(Dollars in millions)

	Quarter Ended						
	March 31, 2002 Actual	June 30, 2002 Actual	September 30, 2002 Actual	December 31, 2002 Actual	March 31, 2003 Actual	June 30, 2003 Actual	December 31, 2003 Forecast
Cash at Parent	\$ 240	\$ 288	\$ 384	\$ 188	\$ 395	\$ 922	\$ 970
Availability under revolver	39	69	5	18	28	39	39
Cash at QHCs ⁽¹⁾	6	2	6	10	66	29	75
Ending liquidity	\$ 285	\$ 359	\$ 395	\$ 216	\$ 489	\$ 990	\$ 1,084

Forecasted financial information is based on certain material assumptions. Such assumptions include, but are not limited to the following:

- We assume continued normal levels of operating performance and electricity demand at our distribution companies.
- We assume operational performance at our contract generation businesses consistent with historical levels and in accordance with the provisions of the relevant contracts.
- Our assumptions about asset sales include transactions that are supported by signed agreements and that have been previously announced.
- We assume future debt prepayments that include calling the 10.25% senior subordinated notes, resulting in a \$198 million debt reduction.
- Our forecasts assume that Eletropaulo and Drax will be consolidated for the full year, but excludes any new investment into those subsidiaries. Any change in this assumption should not have a significant change to distributions from subsidiaries.

(1) The cash held at qualifying holding companies represents cash sent to subsidiaries of the company domiciled outside of the US. Such subsidiaries had no contractual restrictions on their ability to send cash to AES, the parent company. Cash at those subsidiaries was used for investment and related activities outside of the US. These investments included equity investments and loans to other foreign subsidiaries as well as development and general costs and expenses incurred outside the US. Since the cash held by these qualifying holding companies is available to the parent, AES uses the combined measure of subsidiary distributions to parent and qualified holding companies as a useful measure of cash available to the parent to meet its international liquidity needs.

(2) AES believes that unconsolidated parent company liquidity is important to the liquidity position of AES as a Parent company because of the non-recourse nature of most of AES's indebtedness.



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