**AES CORPORATION**

# 2006 AES Investor Conference Series

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# Safe Harbor Disclosure

Certain statements in the following presentation regarding AES's business operations may constitute "forward looking statements." Such forward-looking statements include, but are not limited to, those related to future earnings, growth and financial and operating performance. Forward-looking statements are not intended to be a guarantee of future results, but instead constitute AES's current expectations based on reasonable assumptions. Forecasted financial information is based on certain material assumptions. These assumptions include, but are not limited to continued normal or better levels of operating performance and electricity demand at our distribution companies and operational performance at our contract generation businesses consistent with historical levels, as well as achievements of planned productivity improvements and incremental growth from investments at investment levels and rates of return consistent with prior experience. For additional assumptions see the Appendix to this presentation. Actual results could differ materially from those projected in our forward-looking statements due to risks, uncertainties and other factors. Important factors that could affect actual results are discussed in AES's filings with the Securities and Exchange Commission including but not limited to the risks discussed under Item 1A "Risk Factors" in the Company's 2005 Annual Report on Form 10-K as well as our other SEC filings. AES undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

# Today's Agenda

| | |
|---|---|
| Opening Comments | Scott Cunningham |

| | |
|---|---|
| Global Trends: Implications for AES | Roger Naill |
| AES Alternative Energy | |
| ▪ AES Alternative Energy Strategy | William Luraschi |
| ▪ Wind Generation Review | Ned Hall |
| ▪ LNG Review | Aaron Samson |
| ▪ Climate Change Review | William Lyons |
| Q&A | All |

# Appendix - Assumptions

Forecasted financial information is based on certain material assumptions. Such assumptions include, but are not limited to: 1) no unforeseen external events such as wars, depressions, or economic or political disruptions occur; 2 ) businesses continue to operate in a manner consistent with or better than prior operating performance, including achievement of planned productivity improvements including benefits of global sourcing, and in accordance with the provisions of their relevant contracts or concessions; 3) new business opportunities are available to AES in sufficient quantity so that AES can capture its historical market share or increase its share; 4) no material disruptions or discontinuities occur in GDP, foreign exchange rates, inflation or interest rates during the forecast period; 5) negative factors do not combine to create highly negative low-probability business situations; 6) material business-specific risks as described in the Company's SEC filings do not occur.

In addition, benefits from global sourcing include avoided costs, reduction in capital project costs versus budgetary estimates, and projected savings based on assumed spend volume, which may or may not actually be achieved. Also, improvement in certain KPIs such as EFOR and commercial availability may not improve financial performance at all facilities based on commercial terms and conditions. These benefits will not be fully reflected in the Company's consolidated financial results.

Also, the cash held at qualifying holding companies (QHCs) represents cash sent to subsidiaries of the Company domiciled outside of the U.S. 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 U.S. These investments included equity investments and loans to other foreign subsidiaries as well as development and general costs and expenses incurred outside the U.S. 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. 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.

# Appendix: Definitions

- EPS – Earnings per share.
- Free Cash Flow – Net cash from operating activities less maintenance capital expenditures. Maintenance capital expenditures reflect property additions less growth capital expenditures.
- Interest coverage – The ratio of subsidiary distributions to parent interest expense.
- O&M – Operation and maintenance.
- Parent debt is the same as recourse debt.
- Parent interest expense – Interest expense less non-recourse interest expense.
- Return on invested capital (ROIC) – Net operating profit after tax (NOPAT) divided by average capital. NOPAT is defined as income before tax and minority expense plus interest expense less income taxes less tax benefit on interest expense at effective tax rate. Average capital is defined as the average of beginning and ending total debt plus minority interest plus stockholders' equity less debt service reserves and other deposits.
- Subsidiary distributions – Cash distributions (primarily dividends and interest income) from subsidiary companies to the parent company and qualified holding companies. These cash flows are the source of cash flow to the parent to meet corporate interest, overhead, cash taxes, and discretionary uses such as recourse debt reductions and corporate investments.

# Appendix - Reconciliation of Subsidiary Distributions

| **Total subsidiary distributions & returns of capital to parent** | **2005** | **2004** | **2003** |
|---|---|---|---|
| Subsidiary distributions to parent | $988 | $991 | $1,008 |
| Net distributions to/(from) QHCs | 5 | 13 | 46 |
| **Total subsidiary distributions** | **993** | **1,004** | **1,054** |
| Returns of capital distributions to parent | 44 | 116 | 242 |
| Net returns of capital distributions to/(from) QHCs | 13 | 11 | -- |
| **Total returns of capital distributions** | **57** | **127** | **242** |
| Combined distributions & return of capital received | 1,050 | 1,131 | 1,296 |
| Less: combined net distributions & returns of capital to/(from) QHCs | (18) | (24) | (46) |
| **Total subsidiary distributions & returns of capital to parent** | **$1,032** | **$1,107** | **$1,250** |

See page 4 for definitions of non-GAAP financial measures.

# Appendix: Return on Invested Capital (ROIC)

| **Net Operating Profit After Tax** [1] | **2005** | **2004** | **2003** |
|---|---|---|---|
| IBT&MI | $1,458 | $822 | $644 |
| Reported Interest Expense | 1,896 | 1,932 | 1,984 |
| Income Tax Expense [2] | (1,070) | (1,203) | (861) |
| **Net Operating Profit After Tax** | **2,284** | **1,551** | **1,767** |
| Effective Tax Rate [3] | 32% | 44% | 33% |
| **ROIC** [4] | **11.3%** | **7.7%** | **9.0%** |

| **Total Capital** [5] | **December 2005** | **December 2004** | **December 2003** | **December 2002** |
|---|---|---|---|---|
| Total Debt | $17,706 | $18,588 | $19,638 | $20,047 |
| Minority Interest | 1,611 | 1,305 | 995 | 885 |
| Stockholders' Equity | 1,649 | 956 | (101) | (855) |
| Debt Service Reserves and Other Deposits | (611) | (737) | (617) | (515) |
| Total Capital | $20,355 | $20,112 | $19,915 | $19,562 |
| **Average Capital** [6] | **$20,234** | **$20,014** | **$19,739** | |

(1) Net operating profit after tax, a non-GAAP financial measure, is defined as income before tax and minority interest expense (IBT&MI) plus interest expense less income taxes less tax benefit on interest expense at the effective tax rate.
(2) Income tax expense calculated by multiplying the sum of IBT&MI and reported interest expense for the period by the effective tax rate for the period.
(3) Effective tax rate calculated by dividing reported income tax expense for the period by IBT&MI for the period.
(4) Return on invested capital (ROIC), a non-GAAP financial measure, is defined as net operating profit after tax divided by average capital calculated over rolling 12 month basis.
(5) Total capital, a non-GAAP financial measure, is defined as total debt plus minority interest plus shareholders equity less debt service reserves.
(6) Average capital is defined as the average of beginning and ending total capital over the last 12 months.