AES CORPORATION

Global Trends: Implications for AES

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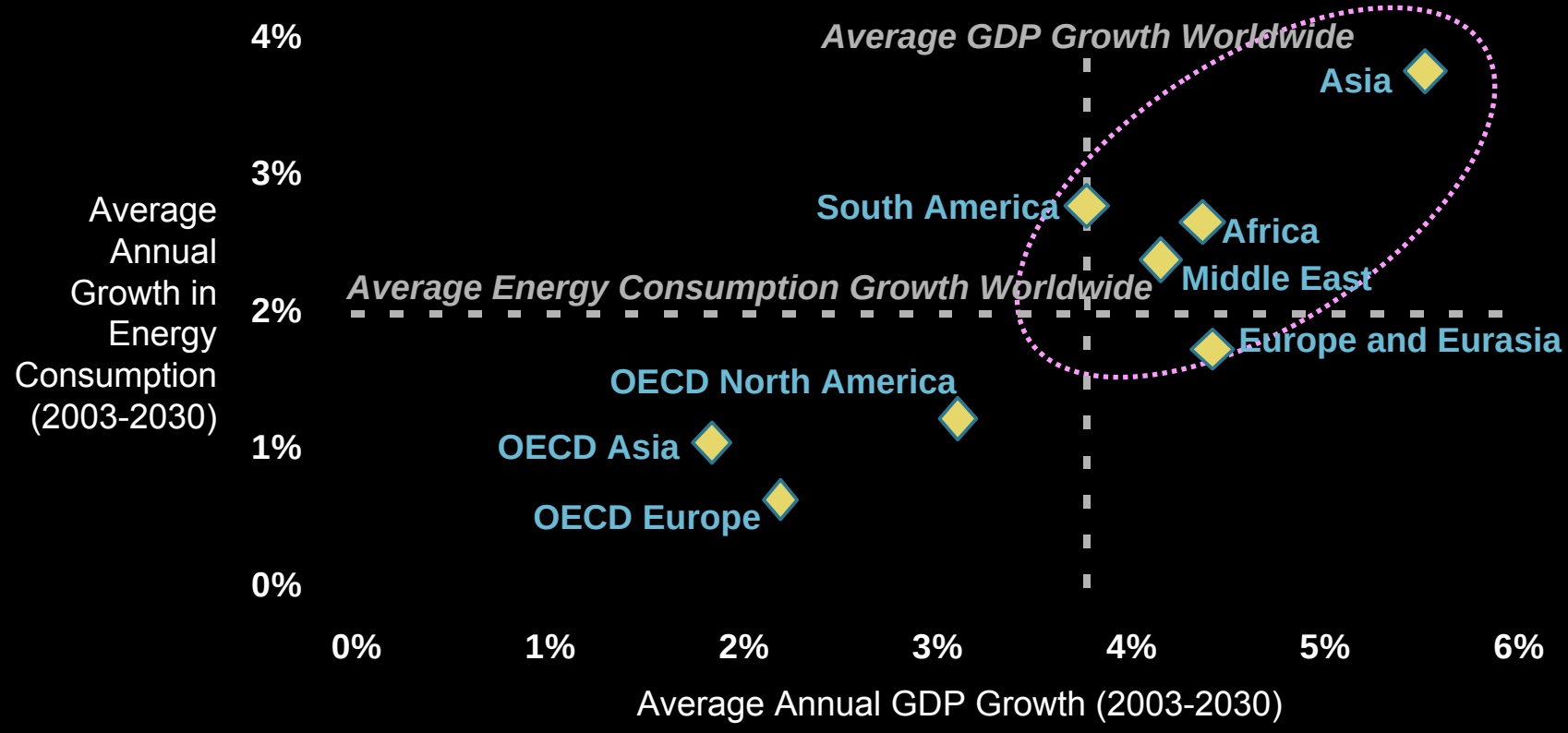
Trend 1: GDP Growth Drives Energy Demand

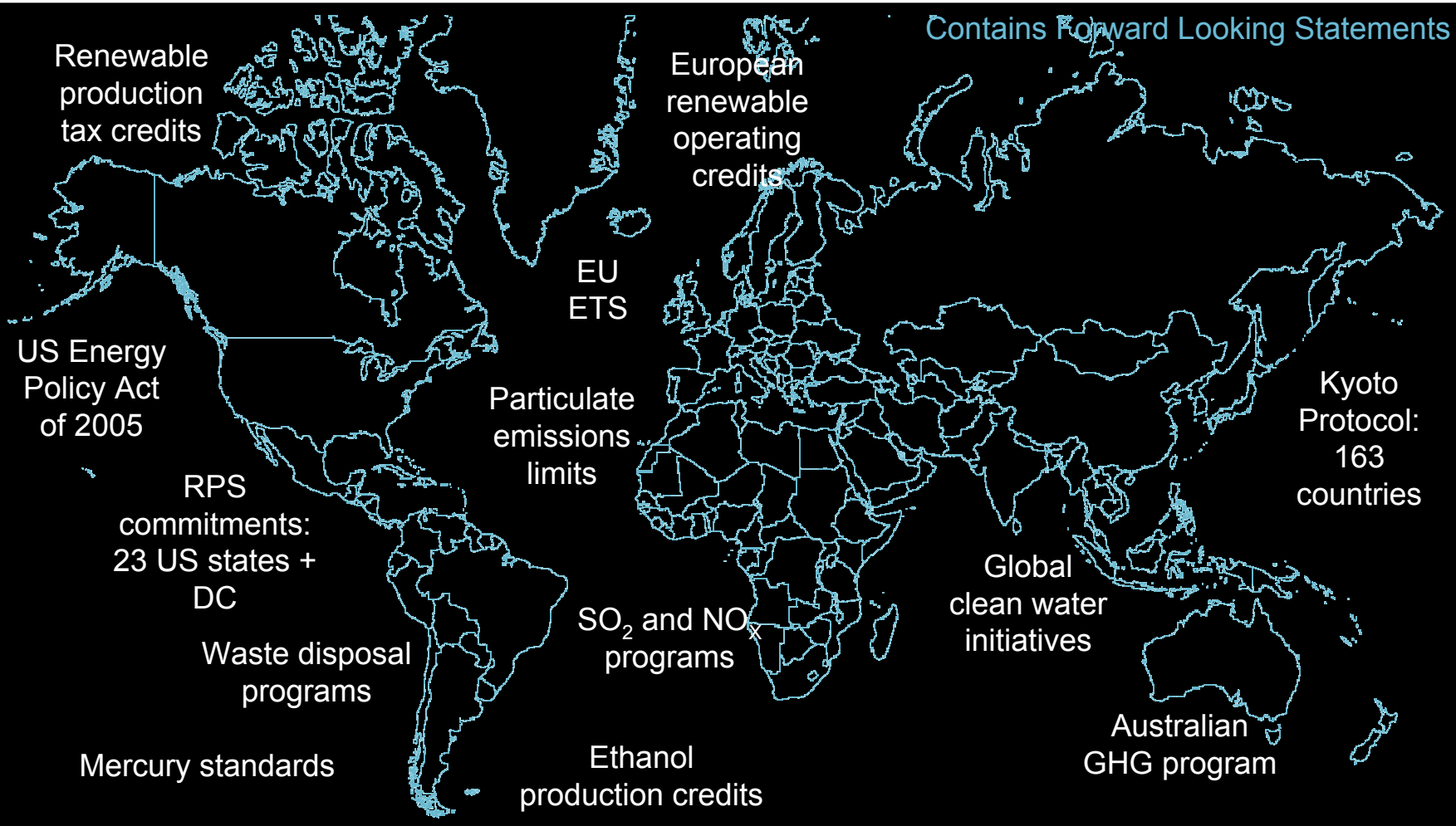
Contains Forward Looking Statements



AES has the presence, experience and resources in markets with the greatest potential GDP and energy demand growth.

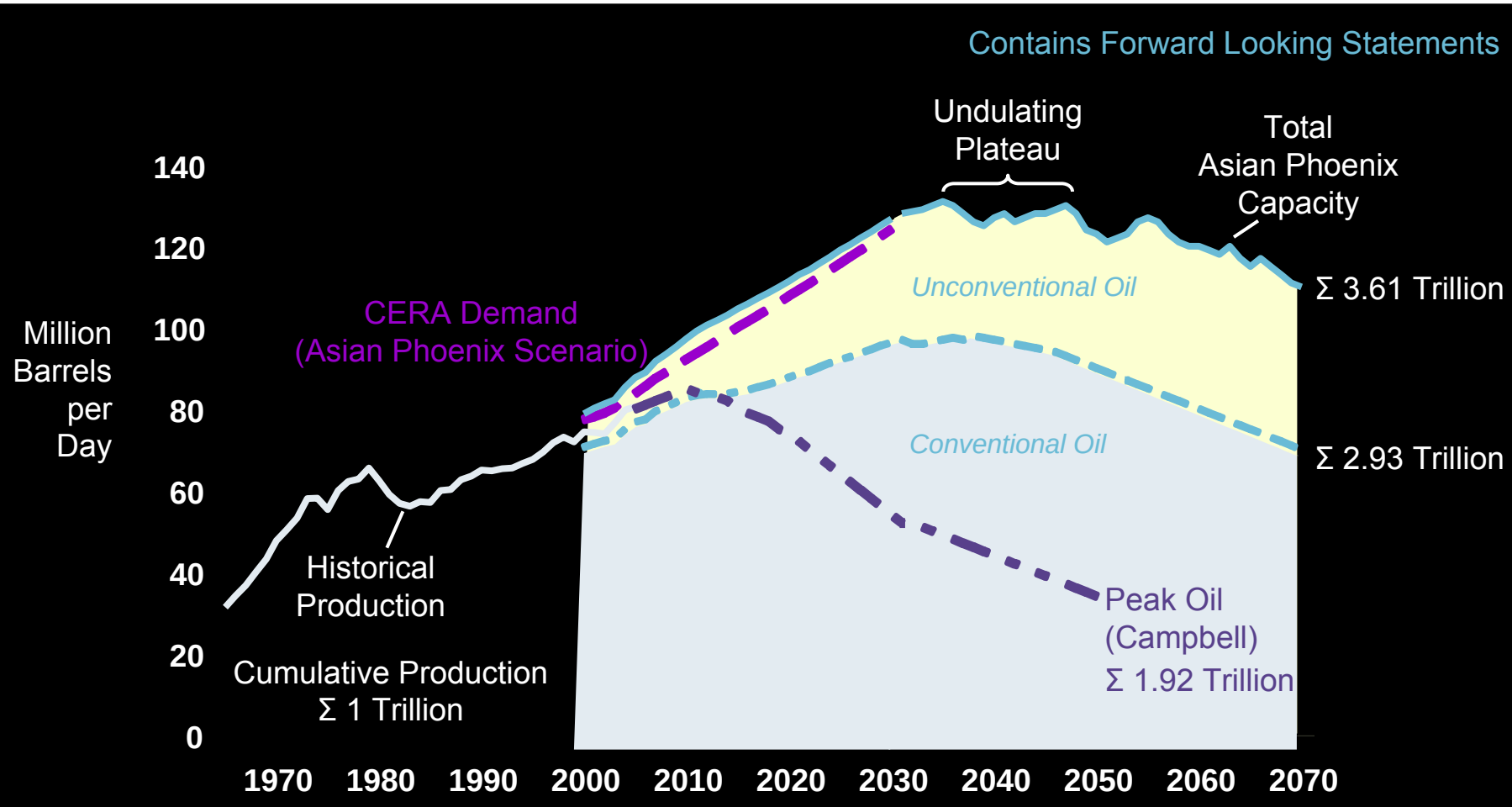
Source: U.S. Energy Information Administration International Energy Outlook 2006.

Trend 2: Increasing Environmental Regulations



Create opportunities, especially in the areas of renewables and carbon offsets.

Trend 3: Resource Depletion



Drives the use of coal and alternative fuels upwards worldwide.

Source: CERA "Dawn of a New Age" Study, 2006.

These Trends Drive AES's Investments

Contains Forward Looking Statements

Economic growth drives

- Electricity demand
- Energy use
- Infrastructure needs

→ Core Electricity Business
→ Asia

Environmental regulation drives

- CO_2 legislation
- Stricter environmental legislation in developing countries
- Alternative fuel/power/technology development

→ Carbon Offsets
→ Clean Coal
→ Alternative Energy

Resource depletion drives

- Energy prices
- Energy use
- Infrastructure needs

→ Alternative Energy
→ Coal

Scenarios Identify Long-term Risks and Opportunities

Management approaches and goals depend on relative uncertainty and controllability

Scenario planning is useful for companies who make capital-intensive, long-term investments in uncertain situations

Risk Management Commodity trading and hedging Goal: Manage uncertainty; mitigate value loss	**Scenario Planning** Development, R&D, strategy Goal: Create value from uncertainty
Structured Contracts Long-term agreements with few variables Goal: Maximize sustained yield	**Agile Management** Just-in-time processes Goal: Move in sync with the market

Risk Management Tools Depend on Time Horizon

Short Term

Performance improvements

Cost management

Hedging

- Commodity prices: electricity, coal, emission allowances
- Foreign currency
- Interest rates

Long Term

Contractual

Long-term contracts

- Power purchase agreements
- Fuel supply agreements

Political risk insurance

Government guarantees

Financing structures

- Non-recourse project debt
- Local currency denominated debt
- Fixed rate/swapped debt
- Multi-lateral participation
- Joint ventures/equity partners

Active Management

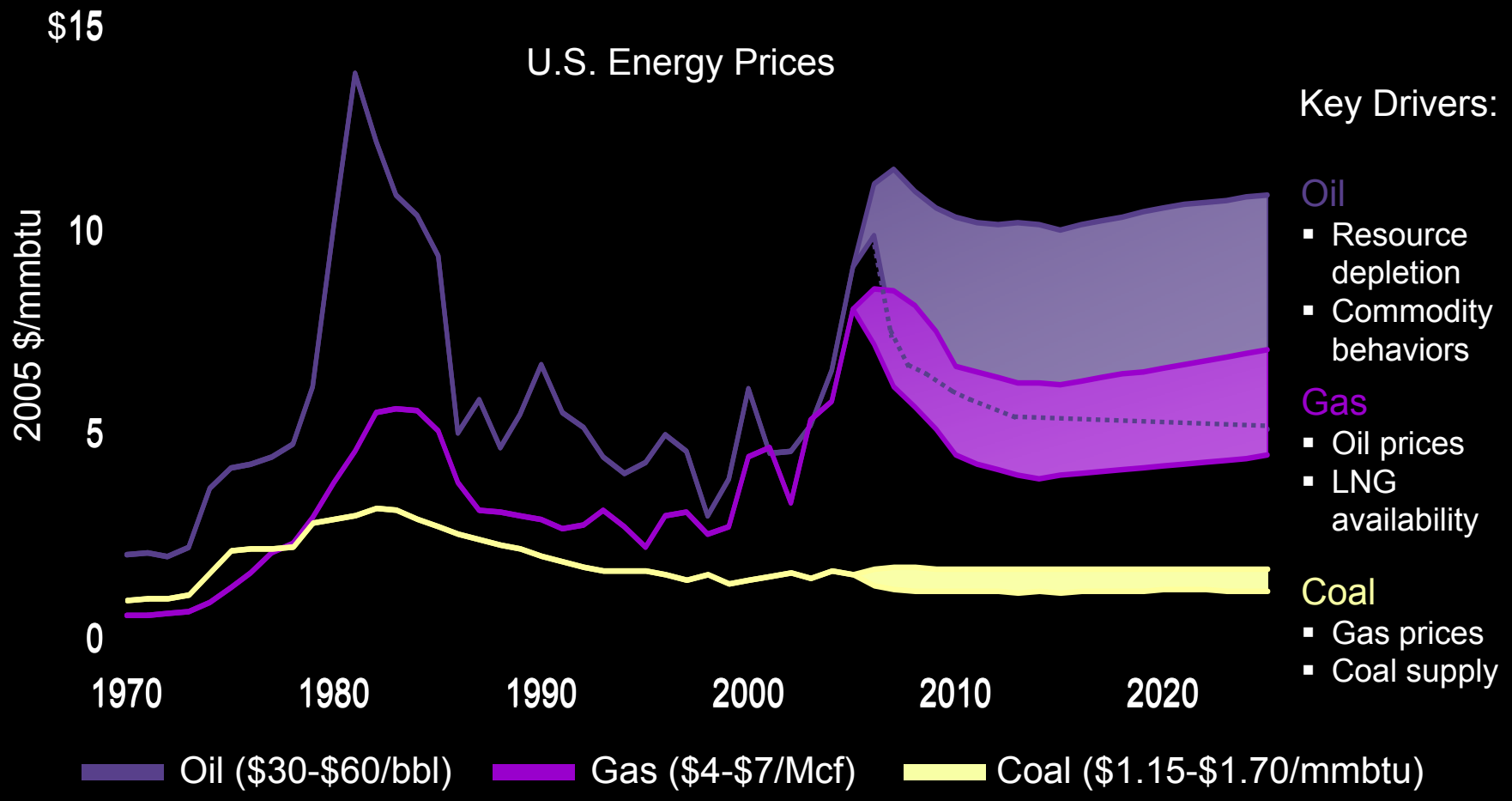
Scenario planning

Capital allocation

Portfolio management

Energy Prices are Volatile and Uncertain

Contains Forward Looking Statements



Key Drivers:

Oil
- Resource depletion
- Commodity behaviors

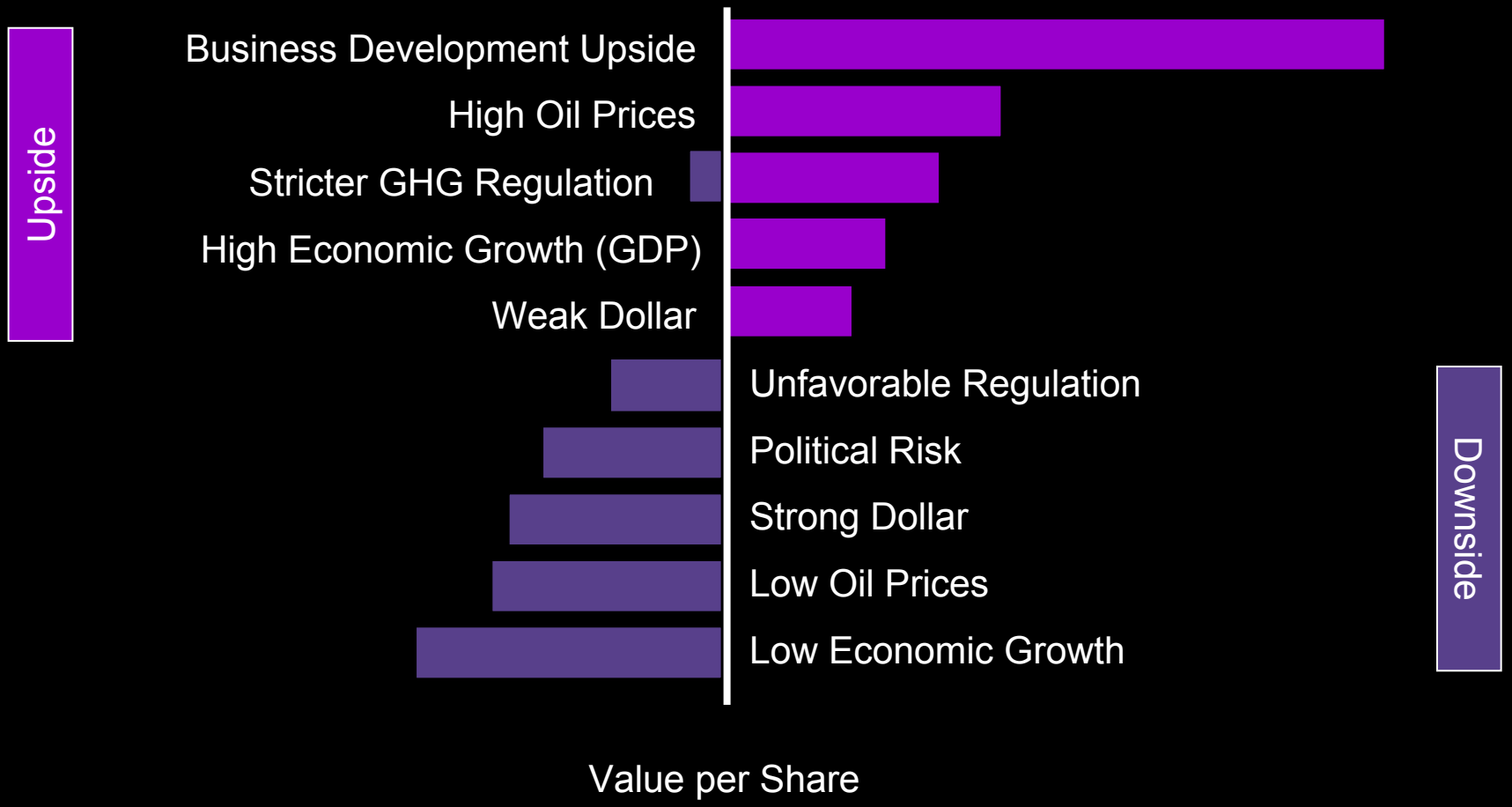
Gas
- Oil prices
- LNG availability

Coal
- Gas prices
- Coal supply

Sources: EIA, ICF, Hill, Boyd, AES estimates.

These Scenarios Drive Our Risks and Opportunities

Contains Forward Looking Statements



Scenarios Can Also Affect Technology Competitiveness

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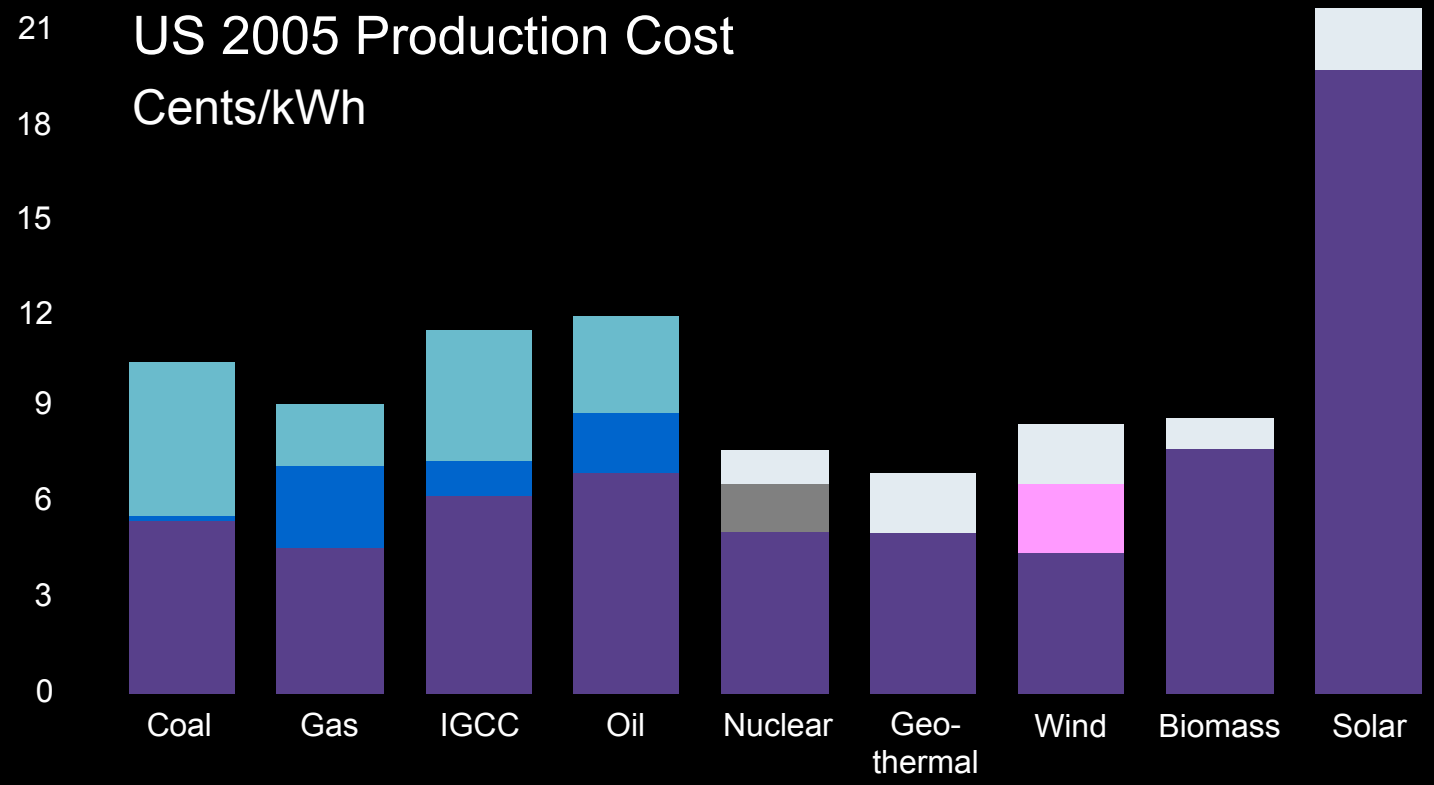

(1) Base costs include fixed and variable costs except carbon offset cost, less any production tax credit or subsidy.

Sources: CERA, EIA, AWEA.