AES

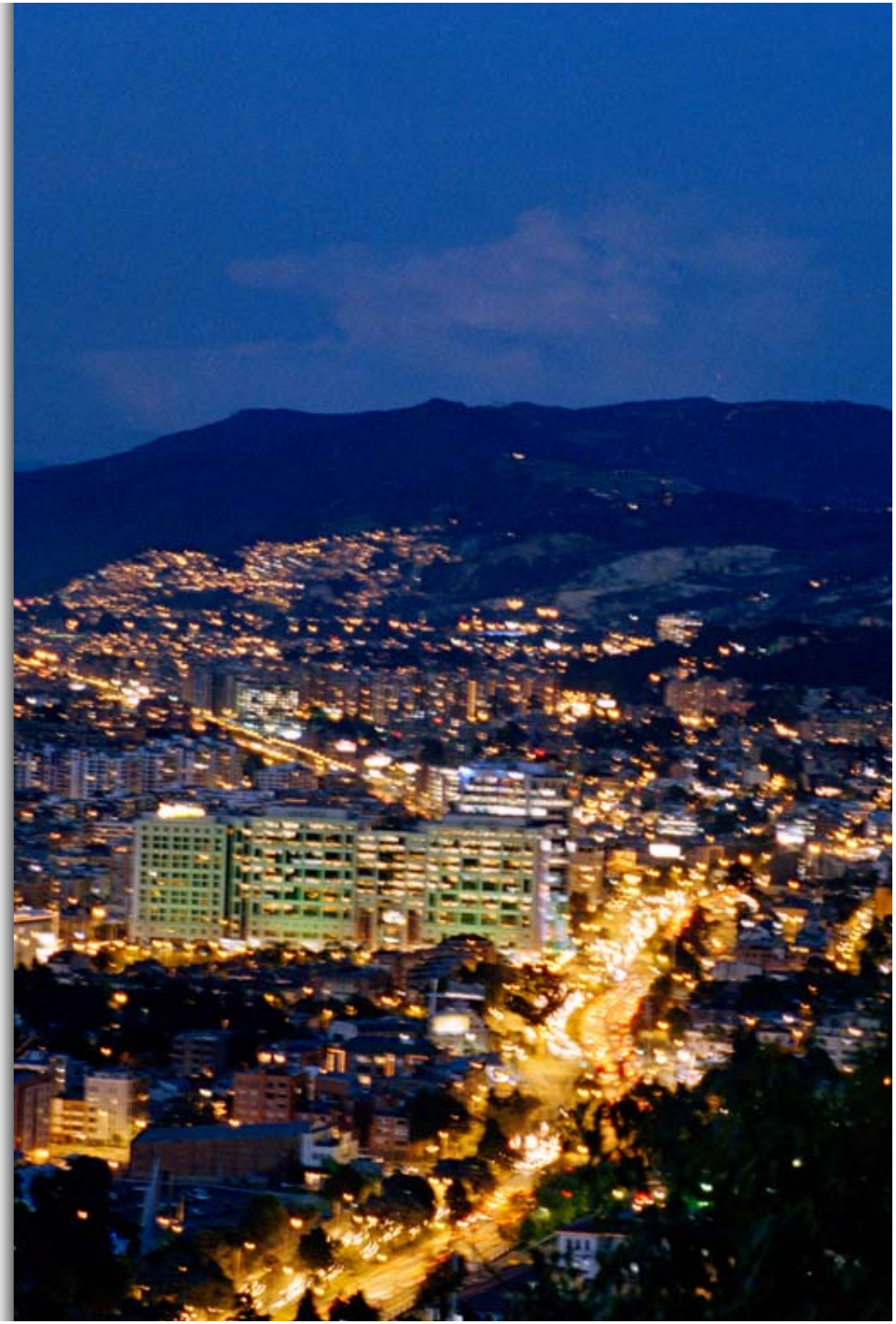
the power of being global

The AES Corporation

September 24, 2008

Andres Gluski, Executive VP and Chief Operating Officer

Merrill Lynch 2008 Power & Gas Leaders Conference



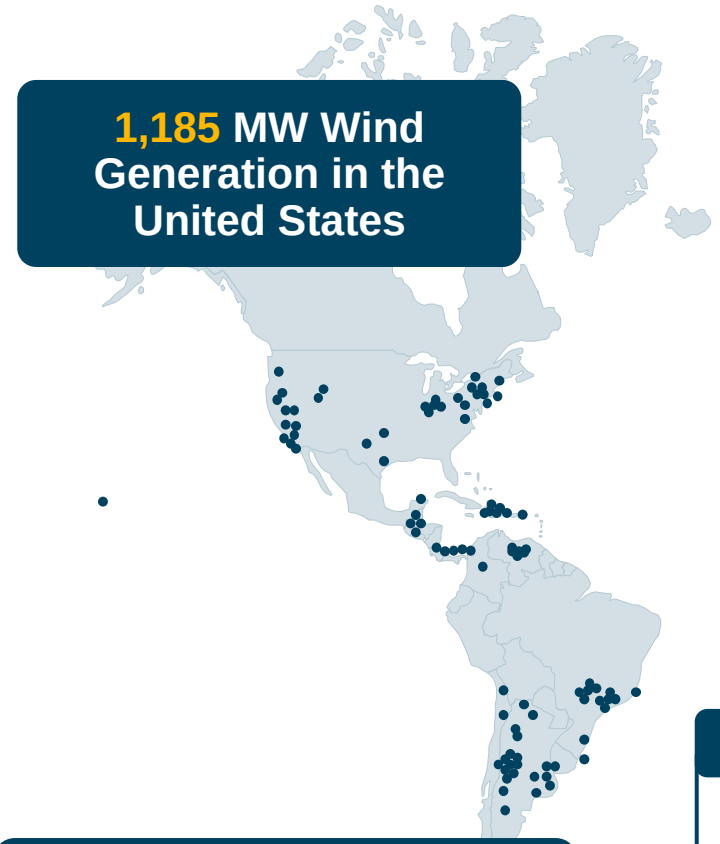
Safe Harbor Disclosure

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 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 Annual Report on Form 10-K for the year ended December 31, 2007, 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.



AES is Among the Largest Global Power Companies

Contains Forward Looking Statements



1,185 MW Wind Generation in the United States

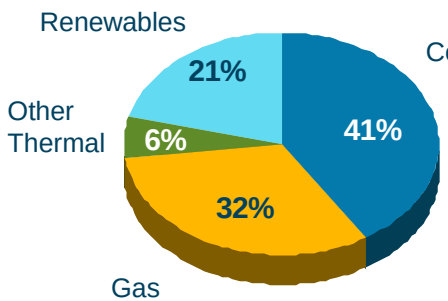
Business Lines

- Core Power
- Renewables
- Climate Solutions

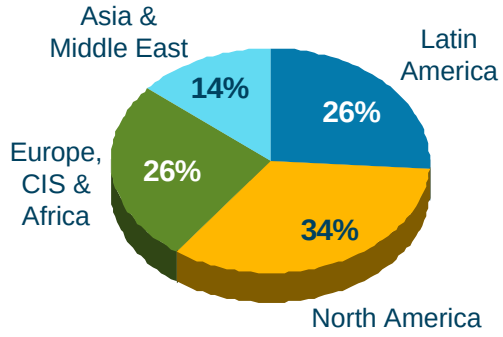
124 Power plants worldwide totaling more than 43 GW gross generation capacity

15 Utilities worldwide, serving 11 million customers, with sales of more than 78,000 GWh

Fuel Type



Geography



Key Strengths

- Managed approach to risk
- Demand supports profitable growth
- Strong free cash flow and earnings
- Many levers to manage operations and profitability

Managed Approach to Risk: Hedging Policy Minimizes Exposure to Commodity Fluctuations

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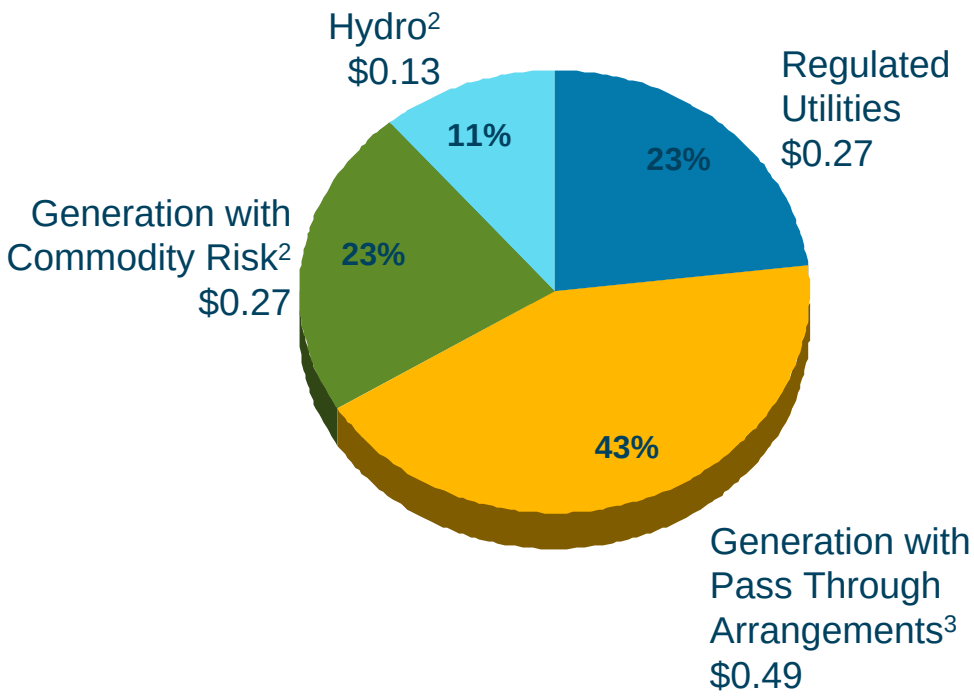
Limited Exposure to Commodity Price Volatility

2008 Earnings Contributions
$1.16 EPS[1]



- ~77% of 2008 earnings not impacted by commodity price risk due to pricing mechanism or lack of direct exposure to fuel
- ~23% of earnings have potential for commodity price impacts if not hedged, but
  - For 2008 ~90% hedged
  - In addition, 2009 ~50% already hedged

[1] A non-GAAP financial measure. See Appendix for reconciliation.
[2] Under short-term contracts.
[3] Under long-term contracts.

Managed Approach to Risk: Long Term, Our Generation Fleet has Manageable Commodity Risk

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	Correlation	Change in Commodity Price By	Annual EPS Impact
Natural Gas	Positive	$1/MMbtu	$0.05
Oil	Positive	$10/bbl	$0.05
Coal	Negative	$10/ton	$0.08

Note: Commodity price sensitivities assume movement in only one commodity price (all others unchanged) and are lower in the 2008-2009 timeframe, due to short-term hedging.

Managed Approach to Risk: Balanced Interest Rate Hedging

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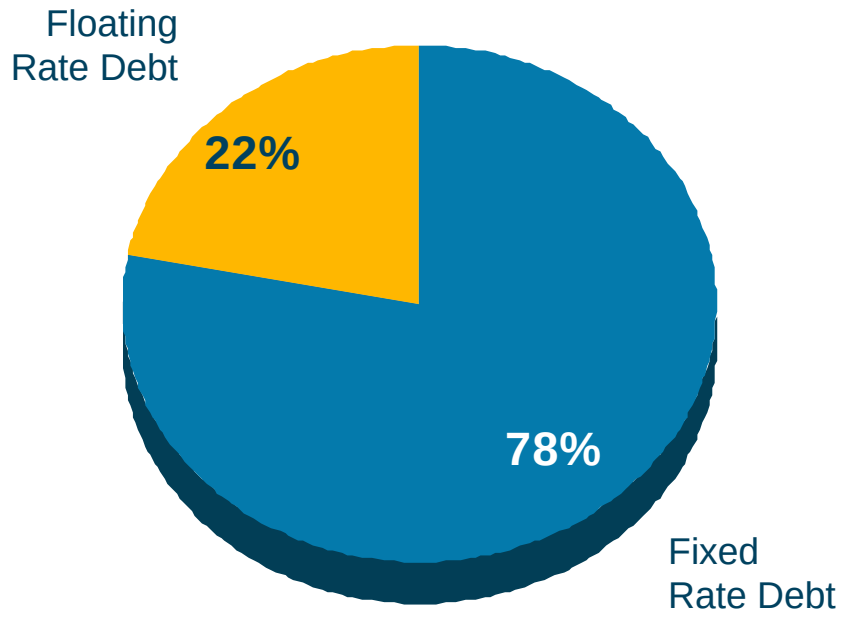
Recourse (Corporate Debt): $5B
Non-Recourse (Project-Level Debt): $14B

- Key features of non-recourse debt:
  - Lenders benefit from credit quality of the project offering investment grade characteristics
  - Project specific debt with no cross default risk to the holding company or other subsidiaries
  - Majority of the non-recourse debt is funded by international commercial banks
  - Debt capacity supplemented by multilaterals and local/regional banks
  - Long term, typically covers 50-70% of the project cost

Total Debt $19 Billion (6/2008)



100 bps move in interest rates equates to $0.02-$0.03 change in EPS

Note: Sensitivity impact is on a per annum basis.

Managed Approach to Risk: Natural Hedge Exists from Matching Debt & Revenue/Currency

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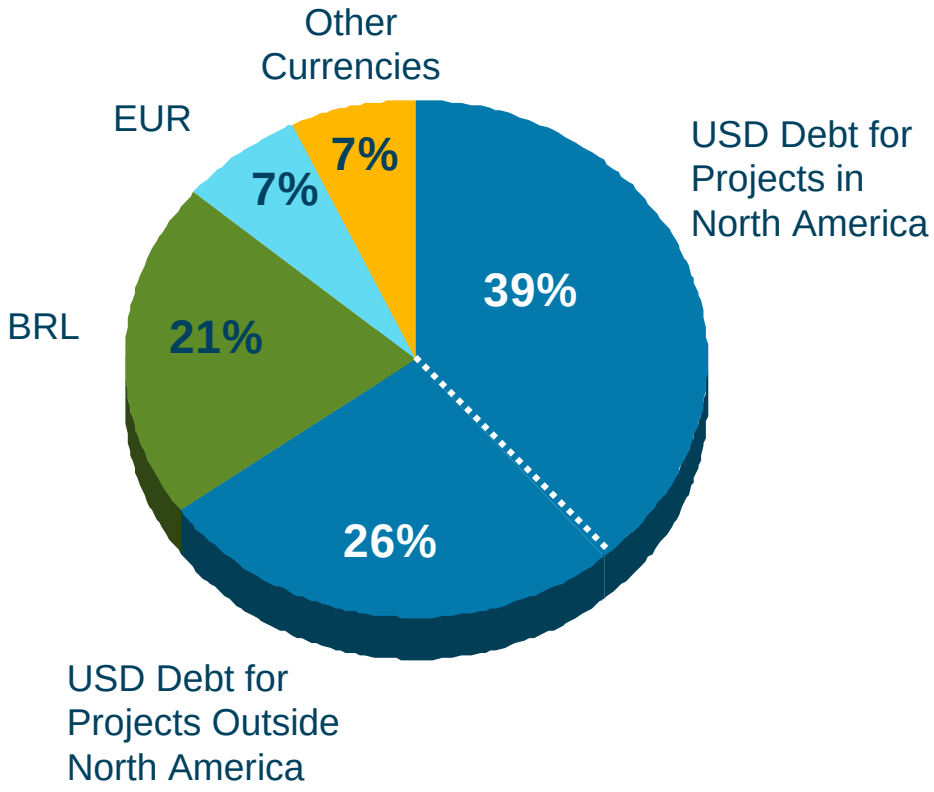
Non-Recourse Debt $14 Billion (6/2008)



10% move in our major currencies equates to $0.06-$0.07 change in EPS

Note: Sensitivity impact is on a per annum basis.

Managed Approach to Risk: Manageable Parent Company Maturity Profile (Recourse Debt)

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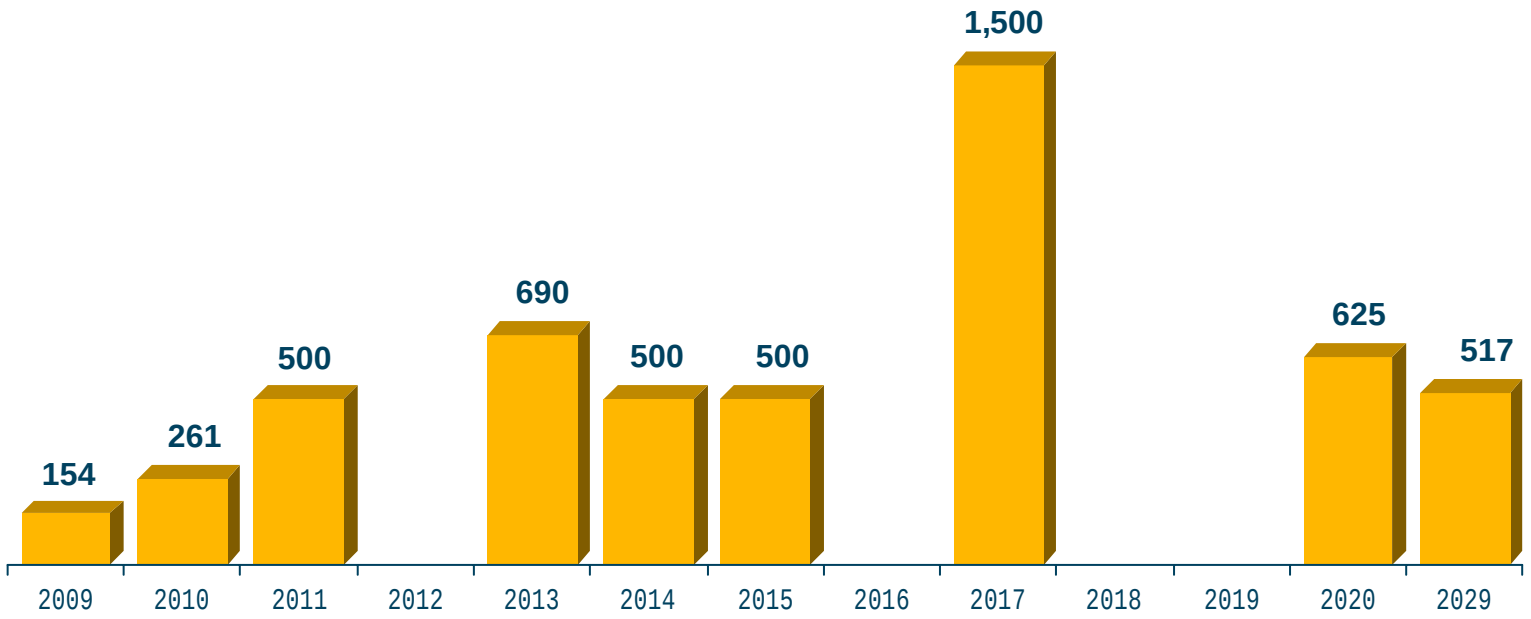
2008	$5 Billion[1]

(US$ Millions)



[1] As of June 30, 2008

Managed Approach to Risk: Engineering & Construction Group Created to Address Global Challenges in Project Execution

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Program Highlights

- Global shortage of construction people and supplies created potential obstacle to construction pipeline.
- AES formed a Engineering & Construction (E&C) management group
- E&C group allows us to deliver projects at a lower cost than our competitors while maintaining the highest standards for safety and quality:
  - Standard contracts and specifications
  - Utilizes unified methodology
  - Secured strategic partnerships with proven leaders in the industry, POSCO & MHI

In Construction



Amman East, our 370 MW CCGT plant in Jordan



Nueva Ventanas, our 268 MW coal plant in Chile

Managed Approach to Risk: Progress Continues in Projects Under Construction

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- Currently 3,000 MW under construction in 8 countries
- Since December 2007, began construction on 4 power projects in 3 countries totaling 954 MW [1] (100% platform expansion)

	Core Power					Renewables		
	Chile	**Jordan**	**Bulgaria**	**UK**	**Cameroon**	**China**	**Turkey**	**Panama**
Project	Various [2]	Amman East	Maritza East	Kilroot OCGT	Dibamba	Huanghua JV	I.C. Energy JV	Changuinola I
Type	Coal, Diesel	Gas	Coal	Gas	Diesel	Wind	Hydro	Hydro
Gross MW	1,489 MW	370 MW	670 MW	80 MW	86 MW	49 MW	62 MW	223 MW
Expected COD	2H 2008-2H 2011	1H 2009	Unit 1: 1H 2010 Unit 2: 2H 2010	1H 2009	2009	2009	2H 2010	1H 2011
Long Term Offtake Contract	✓	✓	✓			✓		✓
Platform Expansion	✓			✓	✓			✓

[1] Chile: 788 MW (Angamos and Campiche), UK: 80 MW (Kilroot OCGT) and Cameroon: 86 MW (Dibamba)

[2] Includes 130 MW Santa Lidia Diesel plant, 152 MW Guacolda 3 coal plant, 267 MW Nueva Ventanas coal plant, 152 MW Guacolda 4 coal plant, 518 MW Angamos coal plant and 270 MW Campiche coal plant

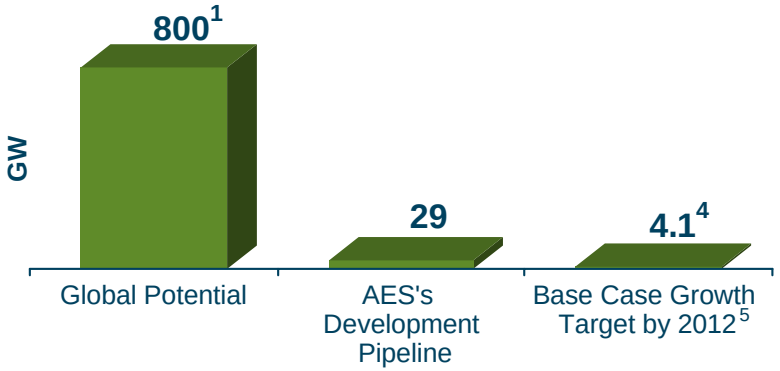




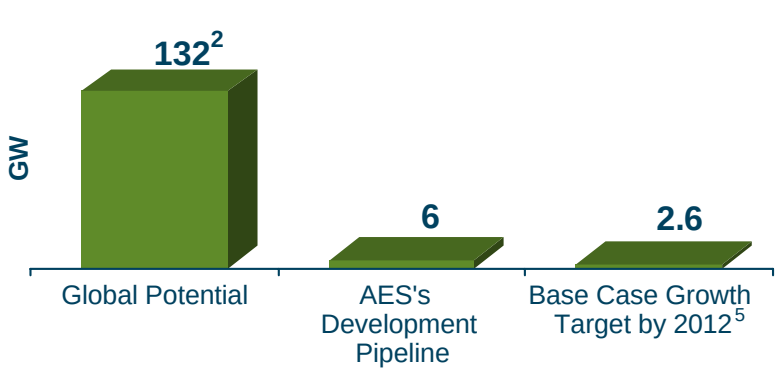

Demand Supports Profitable Growth: High Quality Development Pipeline Positions AES to Help Meet Market Demand Through 2012

Contains Forward Looking Statements

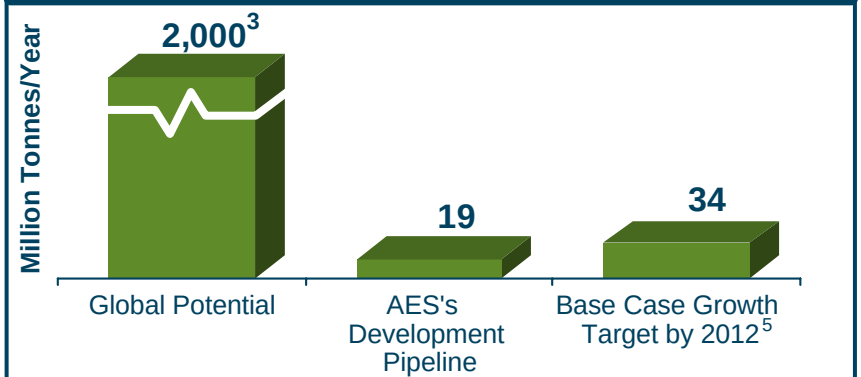
Core Power



Wind Power



Climate Solutions (GHG)



1 CERA and IEA forecasts (2006)

2 Emerging Energy Research (March 2008)

3 World Bank (2007)

4 Target is to close 6,500 MW, primarily greenfield projects, 4,100 of which are expected in operation by December 2012, and remaining 2,400 projects will still be under construction by 2012.

5 Guidance updated in March 2008

Demand Supports Profitable Growth: We Are Aggressively Executing Our 29,000 MW Core Power Development Pipeline – Examples

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Countries	Capacity	Fuel Type	Platform Expansion	Letter of Intent Signed/ Awarded	Land Rights for the Power Plant Secured	Environmental Permits		Water Rights Secured/ Available	Fuel Supply Secured Tolling/ Pass Through	Engineering and Construction Contract	Power Purchase Agreement/ Not Required	Financial Close	Commercial Operation Date
						Applied	Secured						
Chile	530 MW	Hydro	✓	NA	✓	✓		✓	NA			Q2 2009	Q3 2013
El Salvador	267 MW	Coal	✓	NA	✓	✓		✓	✓	✓	✓	Q4 2008	Q4 2011
North America	600 MW	Coal		✓	✓			✓	✓			Q2 2009	Q2 2013
Trinidad	720 MW	Gas		✓	✓	✓		✓	✓			Q4 2008	Q4 2010
Cameroon	150-215 MW	Gas	✓	✓		✓		✓				Q4 2008	Q2 2010
Hungary	330 MW	Coal	✓	✓	✓	✓	✓	✓				Q2 2009	Q4 2012
Northern Ireland	430 MW	Gas	✓	NA	✓	✓		✓			✓	Q2 2009	Q4 2012
India	1,200 MW	Coal				✓		✓	✓			Q2 2010	Q4 2013
India	1,200 MW	Coal	✓	✓	✓	✓		✓	✓			Q4 2009	Q2 2013
Vietnam	1,200 MW	Coal		✓		✓	✓	✓				Q4 2009	Q2 2013

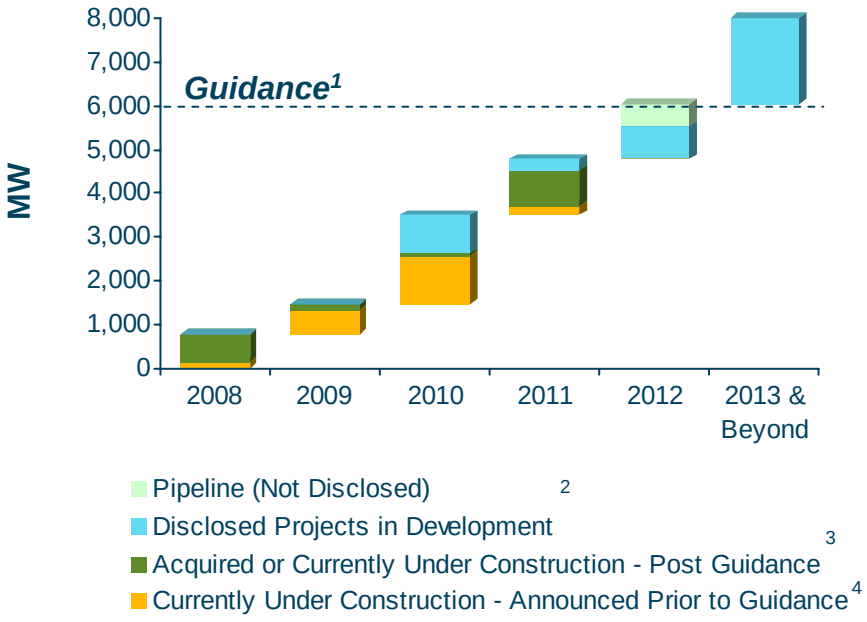
- Development lead time ranges between three and five years with most key agreements executed within six months prior to the financial close. Construction period is typically between two and four years
- Critical milestones including project award/LOI, siting and permitting requires significant development duration

Note: The table set forth above includes examples of some of the more advanced greenfield projects in our pipeline. Other projects not currently on the table, whether developed through acquisitions or otherwise, may be brought online before these projects. In addition, some of these examples may not close as anticipated due to uncertainty inherent in the development process.

Demand Supports Profitable Growth: On Schedule to Achieve Our Core Power Growth Targets

Contains Forward Looking Statements

Expected New Capacity Additions in MW by Year 2012



- Core Power Already in Construction prior to Guidance
  - 1,964 MW[4] under construction at the time of long term guidance
- Incremental Capacity Embedded in Core Power Growth Guidance[5]
  - 4,100 MW additional capacity in operation by 2012
- Progress Towards Guidance Goals[3]
  - 1,676 MW already announced
    - Acquisition of 660 MW Masinloc Project in the Philippines
    - 1,016 MW projects under construction announced post long term guidance
- Approximately 29,000 MW pipeline supports our growth targets

[1] Includes 4,100 MW of incremental capacity embedded in core power growth guidance, plus 1,964 MW under construction at the time of long term guidance
[2] In development projects expected to come on line through 2012 and disclosed on the previous slide
[3] Projects announced post long term guidance. Includes acquisition of 660 MW Masinloc coal plant in the Philippines, as well as projects under construction, including 520 MW Angamos coal plant in Chile, 267 MW Campiche coal plant in Chile, 62 MW hydro plants in Turkey, 80 MW Kilroot OCGT in Northern Ireland and 86 MW Dibamba project in Cameroon
[4] Includes 130 MW Santa Lidia diesel plant in Chile, 152 MW Guacolda 3 coal plant in Chile, 370 MW Amman East gas plant in Jordan, 670 MW Maritza East coal plant in Bulgaria, 152 MW Guacolda 4 coal plant in Chile, 267 MW Nueva Ventanas coal plant in Chile and 223 MW Changuinola I hydro plant in Chile
[5] Guidance updated in March 2008

Demand Supports Profitable Growth: Significant Milestones Already Achieved to Deliver Wind Growth – Examples

Contains Forward Looking Statements

Countries	Capacity MW	Wind Data	Site Control	Environmental Permitting		Turbine Delivery Secured	Interconnection		Long-Term PPA/Tariff	Construction Start	Commercial Operation Date
				Applied	Secured		Advanced	Signed			
USA – CA	80 MW	✓	✓	✓		✓	✓	✓	✓	1Q 2010	4Q 2010
USA – CA	49 MW	✓	✓	✓			✓		✓	1Q 2010	1Q 2011
USA – PJM	100 MW	✓	✓	✓	✓	✓	✓		✓	4Q 2008	4Q 2009
USA – PJM	125 MW	✓	✓	✓		✓	✓			4Q 2009	4Q 2010
USA – PJM	125 MW	✓	✓				✓			4Q 2009	4Q 2010
USA – PJM	50 MW	✓	✓				✓			3Q 2010	3Q 2011
USA – TX	130 MW	✓	✓	✓			✓			1Q 2011	1Q 2012
Bulgaria	156 MW	✓	✓	✓	✓	✓	✓			4Q 2008	4Q 2009
France	34 MW	✓	✓	✓	✓	✓	✓	✓	✓	3Q 2008	3Q 2009
France	68 MW	✓	✓	✓	✓	✓	✓	✓	✓	4Q 2008	4Q 2009
Scotland	22 MW	✓	✓	✓		✓	✓	✓		4Q 2008	4Q 2009
Scotland	108 MW	✓	✓	✓			✓	✓		4Q 2010	4Q 2011
Scotland	48 MW	✓	✓				✓	✓		4Q 2010	4Q 2011
China	49 MW	✓	✓	✓	✓	✓	✓		✓	2Q 2008	2Q 2009
China	49 MW	✓	✓	✓	✓	✓	✓		✓	3Q 2008	4Q 2009
China	49 MW	✓	✓	✓	✓	✓	✓		✓	4Q 2008	3Q 2009
China	49 MW	✓	✓	✓	✓	✓	✓		✓	4Q 2008	3Q 2009

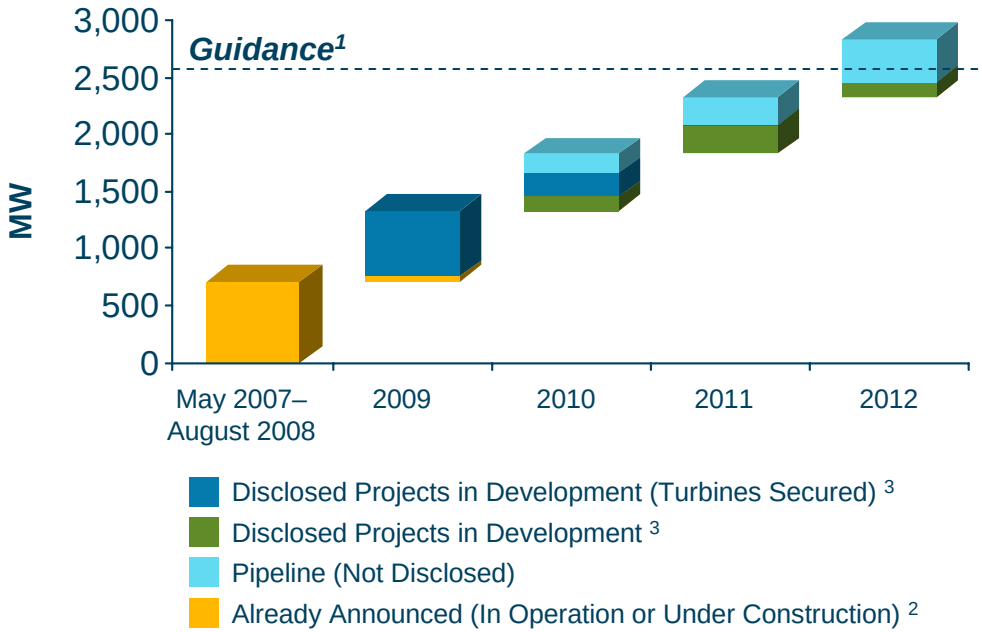
- Development lead time ranges between three and five years. Construction period is typically twelve months

Note: The table set forth above includes examples of some of the more advanced greenfield projects in our pipeline. Other projects not currently on the table, whether developed through acquisitions or otherwise, may be brought online before these projects. In addition, some of these examples may not close as anticipated due to uncertainty inherent in the development process.

Demand Supports Profitable Growth: We Are Also Well-Positioned to Achieve Our Wind Power Targets

Contains Forward Looking Statements

Expected New Capacity Additions in MW by Year 2012



~1,300 MW in Operation in 3 Countries

Wind Power Growth Guidance[1]

- 2,600 MW additional capacity in operation by 2012

Progress Since May 2008

- 749 MW[2] already in operation or under construction
- Over 6,000 MW pipeline supporting our goal to add 500 MW annually

[1] Guidance updated in March 2008

[2] Projects announced or completed since our guidance and includes Buffalo Gap II (233 MW), Buffalo Gap III (170 MW), GE Acquisition (186 MW), Mountain View I & II (67 MW), Huanghua JV (49 MW) and Guohua Hulunbeier (49 MW)

[3] Projects in development expected to come on line by 2012 and disclosed on the previous slide.

Demand Supports Profitable Growth: Regulations Expected to Create demand for Greenhouse Gas Reduction Credits

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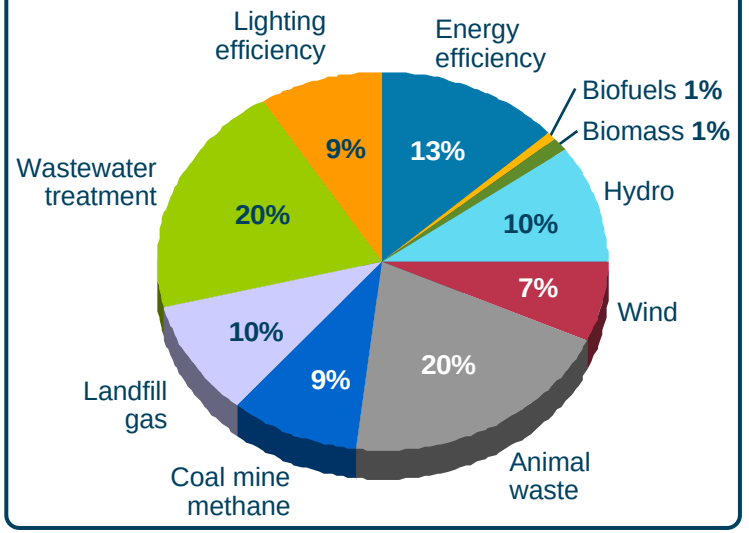
- Phase II of Kyoto Protocol to **create potential market of 1,500–3,000 million metric tonnes** of certified emission reductions per year
- Climate Solutions' pipeline includes projects representing more than **19 million metric tonnes** per year
- To date, achieved **1.8 million metric tonnes** per year capacity[1]
- Near-term goal to bring **6 million metric tonnes** per year capacity into production by December, 2009
- AES has presence in 19 countries that are signatories to Kyoto Protocol

AES Climate Solutions Pipeline by Sector



19 million tonnes

[1] Annualized production over project life





Strong Free Cash Flow & Earnings: Forecast Shows Strong Cash Flow Growth

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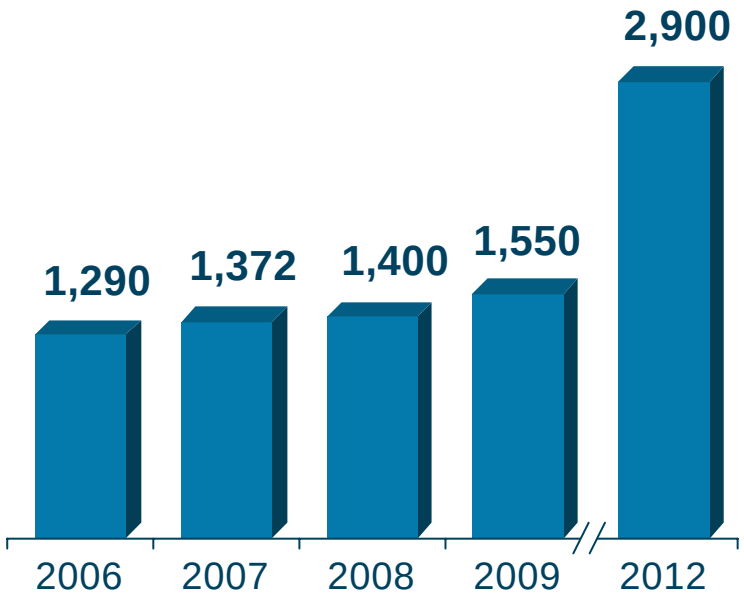
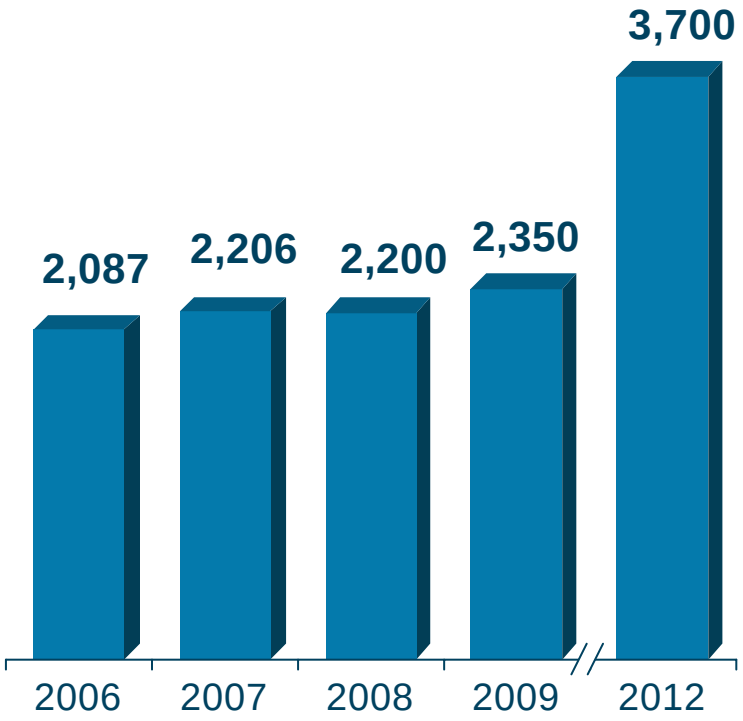
Free Cash Flow[1,2] ($ in Millions)



Net Cash from Operating Activities[2] ($ in Millions)



[1] A non-GAAP financial measure. See Appendix for reconciliation.

[2] Excludes EDC, a business sold in May 2007, see appendix for reconciliation. 2012 projections reflect the Base Case for our March 2008 Guidance

Strong Free Cash Flow & Earnings: Earnings[1] Growth Driven by Diversified Factors

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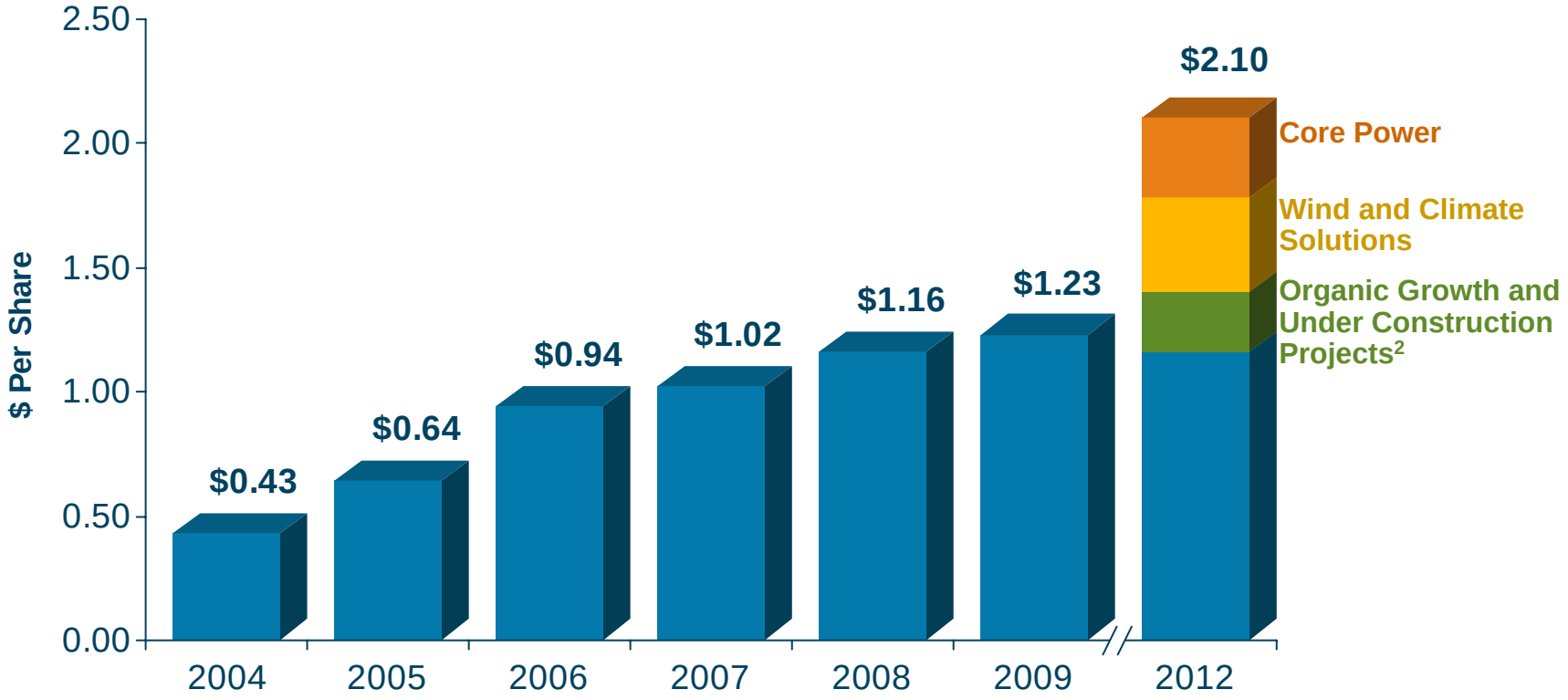
As a Result, We Target 14–17% Growth in EPS Over the Next Five Years (CAGR), Tied To Pipeline Projects in Each Segment



[1] Adjusted EPS, a non-GAAP financial measure. See Appendix for reconciliation.

[2] Projects under construction at the time of long term guidance include 670 MW in Bulgaria (Maritza East), 701 MW in Chile (Guacolda 3 & 4, Nueva Ventanas, and Santa Lidia), 370 MW in Jordan (Amman East) and 223 MW in Panama (Changuinola I).

Many Levers to Manage Operations & Profitability: Portfolio Management is Also a Good Source of Capital

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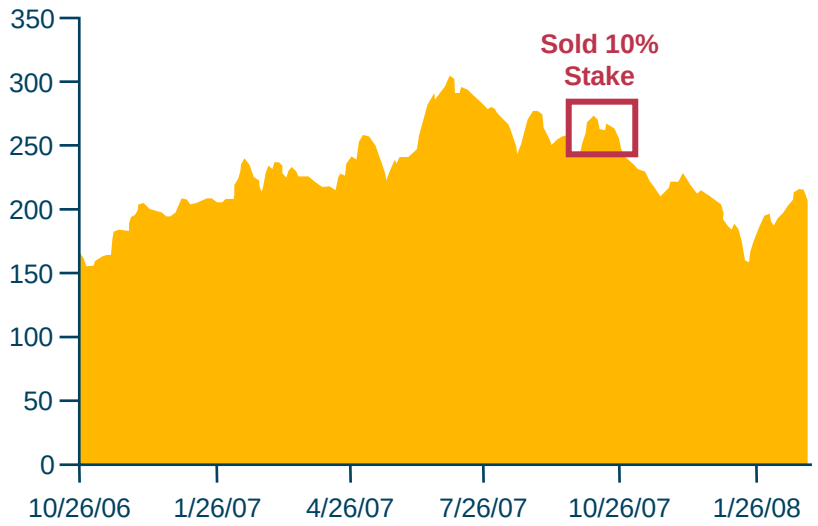
Continuous Assessment of Asset Hold Versus Market Value, Risk Profiles, and Strategic Fit Drive Capital Market Transactions

Examples

Gener, Chile

- Sold 10% stake in Gener (Chile) for approximately $300 million net proceeds to AES Corp (Oct 2007)
- Recorded net gain of $124 million
- AES still maintains 80% interest with a market cap of more than $2 billion

Gener Stock Price (CLP/Share)



Kazakhstan

- Sold northern Kazakhstan assets for up to $1.48 billion
  - Already received approximately $1.1 billion
  - Up to $381 million over next 3 years
- AES will maintain its existing business in eastern Kazakhstan
  - Owns 1,655 MW coal-fired capacity and additional 1,000 MW hydro capacity under long-term concessions



Conclusion

Contains Forward Looking Statements

1. Managed Approach to Risk

- Controlled exposure to commodity price, interest rate fluctuation and currency movements
- Long term debt in place, with largely matching currency exposure
- Since 2002, Plant construction only pursued when targeted returns established with appropriate risk controls:
  1) Regulated return on capital or long-term power and fuel hedges,
  2) Hedges directly with credit worthy offtakers (no intermediary parties),
  3) Majority of fuel and variable costs pass through over time
  4) Non-recourse debt financing to fund majority of the project cost (50-70%)

2. Demand Supports Profitable Growth

- Pipeline is focused on capacity short markets
- Commercial lenders continue to finance well structured/ competitive projects on non recourse basis

3. Strong Free Cash Flow & Earnings

- Consolidated operating cash flow of $2,200-2,500 mn in '09
- Recurring, ongoing maintenance capex about $800 mn
- Consolidated free cash flow[1] of $1,400-1,700 mn in '09 and expected to grow to $2,500 - $3,300 mn in '12
- 2009 EPS of $1.20-$1.25 and 2007-2012 EPS CAGR of 14%-17%

4. Many Levers to Manage Operations & Profitability

- Investments in early development can easily be re-deployed or postponed
- Active portfolio management
- Value accretive share repurchases with free cash flow (in 2Q announced $400 mn share repurchase program, first share repurchase in AES's 27 year history)

[1] A non-GAAP financial measure. See Appendix for reconciliation.

Appendix

Reconciliation of Adjusted EPS

Contains Forward Looking Statements

	Actual				Forecast				
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Diluted EPS from Continuing Operations	$0.29	$0.56	$0.27	$0.73	$2.22	$1.20-$1.25	$1.45-$1.65	$1.70-$1.95	$1.95-$2.25
FAS 133 Mark to Market (Gains) Losses	–	0.03	(0.05)	0.03	–	–	–	–	–
Currency Transaction Losses	0.04	0.05	0.01	–	–	–	–	–	–
Net Asset Losses & Impairments	0.08	0.00	0.68	0.18	(1.06)[1]	–	–	–	–
Debt Retirement Losses	0.02	0.00	0.03	0.08	–	–	–	–	–
Adjusted EPS	**$0.43**	**$0.64**	**$0.94**	**$1.02**	**$1.16**	**$1.20-$1.25**	**$1.45-$1.65**	**$1.70-$1.95**	**$1.95-$2.25**

[1] Includes (a) estimated net gain of approximately $908 million or $1.31 per share primarily from sale of two indirectly owned subsidiaries in Kazakhstan, which closed on May 29, 2008, (b) tax expense of $0.19 per share related to the repatriation of a portion of Kazakhstan sale proceeds and $0.06 losses related to refinancing of Corporate and Subsidiary debt.

Note: For 2009-2012, Diluted EPS from Continuing Operations and Adjusted EPS for the purposes of this slide are assumed to be the same.

Cash Flow Reconciliation

Contains Forward Looking Statements

	Actual				Forecast				
	2004[1] (Restated)	2005 (Restated)	2006 (Restated)	2007	2008	2009	2010	2011	2012
Net Cash Provided by Operating Activities	1,487	2,220	2,351	2,357	2,200	2,200-2,500	2,300-2,900	2,900-3,600	3,300-4,100
EDC Impact[1]	(51)	(342)	(264)	(151)	–	–	–	–	–
Net Cash Provided by Operating Activities, Excluding EDC[2]	1,436	1,878	2,087	2,206	2,200	2,200-2,500	2,300-2,900	2,900-3,600	3,300-4,100
Maintenance Capital Expenditures	528	571	867	878	800	800	700	800	800
Maintenance Capital Expenditures, EDC[1]	31	33	70	44	–	–	–	–	–
Free Cash Flow[2]	959	1,649	1,484	1,479	1,400	1,400-1,700	1,600-2,200	2,100-2,800	2,500-3,300
Free Cash Flow, Excluding EDC[1,2]	939	1,340	1,290	1,372	1,400	1,400-1,700	1,600-2,200	2,100-2,800	2,500-3,300

[1] Unaudited

[2] A non-GAAP financial measure. Reconciliation is set forth in the table above

Definitions of Non-GAAP Financial Measures

Adjusted earnings per share – Adjusted earnings per share (a non-GAAP financial measure) is defined as diluted earnings per share from continuing operations excluding gains or losses associated with (a) mark-to-market amounts related to FAS 133 derivative transactions, (b) foreign currency transaction impacts on the net monetary position related to Brazil and Argentina, (c) significant asset gains or losses due to disposition transactions and impairments, and (d) costs related to early retirement of recourse debt. Effective January 1, 2008, the Company has decided to include costs associated with early retirement of non-recourse debt, in addition to recourse debt. This modification will apply prospectively and is not reflected in the 2007 results presented in this presentation. AES believes that adjusted earnings per share better reflects the underlying business performance of the Company, and is considered in the Company's internal evaluation of financial performance. Factors in this determination include the variability associated with mark-to-market gains or losses related to certain derivative transactions, currency gains and losses, periodic strategic decisions to dispose of certain assets which may influence results in a given period, and the early retirement of corporate debt.

Free cash flow – Free cash flow (a non-GAAP financial measure) is defined as net cash from operating activities less maintenance capital expenditures (including environmental capital expenditures). AES believes that free cash flow is a useful measure for evaluating our financial condition because it represents the amount of cash provided by operations less maintenance capital expenditures as defined by our businesses, that may be available for investing or for repaying debt.

Liquidity – Defined as cash at the Parent Company plus availability under corporate revolver plus cash at qualifying holding companies (QHCs). 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.

Assumptions

Forecasted financial information is based on certain material assumptions. Such assumptions include, but are not limited to: (a) no unforeseen external events such as wars, depressions, or economic or political disruptions occur; (b) 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; (c) new business opportunities are available to AES in sufficient quantity to achieve its growth objectives; (d) no material disruptions or discontinuities occur in GDP, foreign exchange rates, inflation or interest rates during the forecast period; and (e) material business-specific risks as described in the Company's SEC filings do not occur individually or cumulatively. 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 equivalent forced outage rate 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.

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 QHCs is available to the Parent, AES uses the combined measure of subsidiary distributions to Parent and QHCs 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.