A Reenergized AES

Williams Capital Group
IPP Conference
December 7, 2004

John Ruggirello
Executive Vice President and
Chief Operating Officer, Generation



The Global Power Company

Forward Looking Statements

Certain statements in the following presentation 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, and these risks and uncertainties could cause our actual results to differ from those contained in the forward looking statements. In addition, AES disclaims any obligation to update any forward looking statement to reflect events or circumstances after the date hereof.

We urge investors to read our descriptions and discussions of these risks that are contained under the section "Cautionary Statements and Risk Factors" in the Company's Annual Report on Form 10K for the year ended December 31, 2003 as well as our other SEC filings.

AES is an Attractive Investment

Contains Forward Looking Statements

Solid Fundamentals

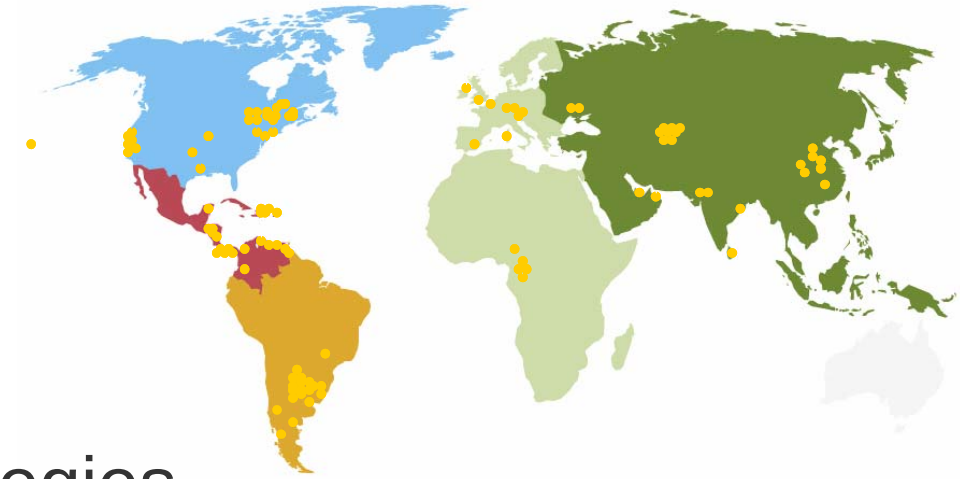
- Double-Digit Five-Year EPS Growth Outlook
- Strong Free Cash Flow
- Improving Credit Quality

Unique Global Electric Power Franchise

- $8.4 Billion in Sales
- $30 Billion in Assets
- 111 Plants and 17 Distribution Companies

Strong Operating Model

Focused Business Strategies



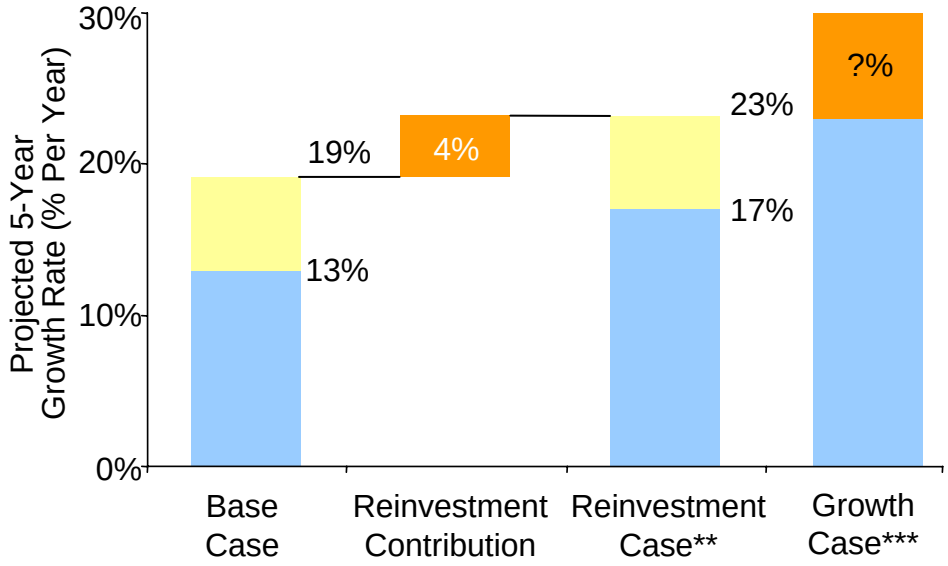
AES Businesses in 27 Countries

Double-Digit EPS Growth Outlook

The Global Power Company

Contains Forward Looking Statements

Projected EPS Growth Rate 2004-2008*



	%/Year
Base Case Deleveraging And Performance Improvements Only	**13% - 19%**
Reinvestment Case** New Investments Using Internally Generated Funds After Achieving BB Credit Ratios	**17% - 23%**
Growth Case*** Additional New Investments With External Financing	**>23%**

* Growth in Diluted EPS From Continuing Operations From 2003 Base of $0.56 Per Share

See Appendix for Further Information on Assumptions.

The Global Power Company

Strong Free Cash Flow Generation

Contains Forward Looking Statements

2004 Free Cash Flow* Guidance Analysis

Subsidiary Net Cash From Operating Activities*	**$2.2 to $2.3 Billion**
Less: Corporate Interest Expense and Overhead**	($0.6 Billion)
Net Cash From Operating Activities	**$1.6 to $1.7 Billion**
Less: Maintenance Capital Expenditures	($0.6 Billion)
Free Cash Flow*	**$1.0 to $1.1 Billion**

Free Cash Flow Creates AES Shareholder Value Through:

Repayment of Subsidiary and Corporate Debt

Focused Growth Investments

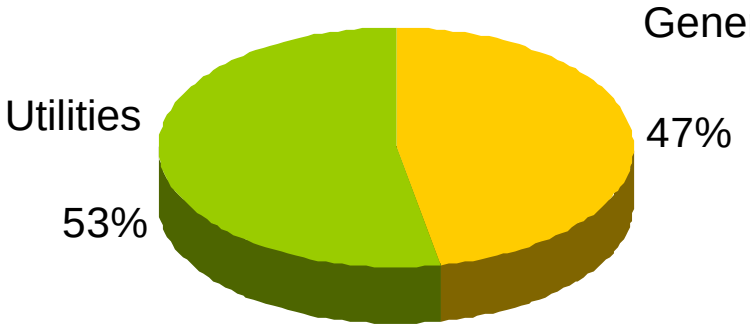
* Non-GAAP measure.

** Reported Under Segment Information as Corporate Income Before Income Taxes and Minority Interest

Two Core Businesses

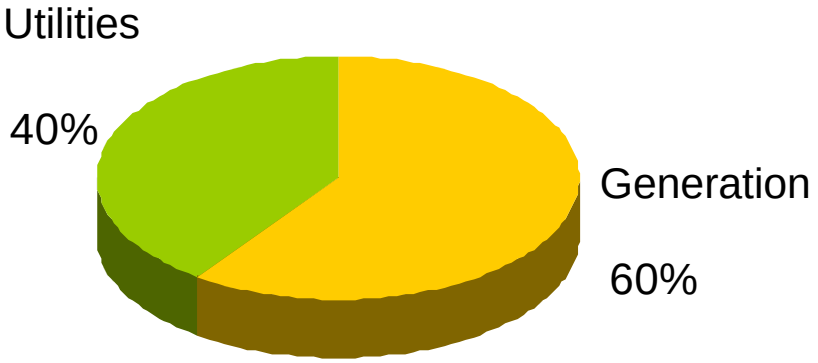
The Global Power Company

Core Business Sales*



2003 Sales $8.4 Billion

Income Before Tax, Minority Interest and Corporate Costs** (IBT)



2003 IBT $1.2 Billion

Generation

80% Revenue Long-Term Contracts

20% Revenue Merchant / Short-Term Contracts

Utilities

75% Revenue From IPL (US), Eletropaulo (Brazil), EDC (Venezuela)

25% Revenue From 14 Small Utilities

* Generation Comprises Contract Generation and Competitive Supply Segments; Utilities Comprises Large Utilities and Growth Distribution Segments

** Corporate Costs Include Corporate Interest Expense and Overhead of $0.6 Billion

Generation Business Drivers

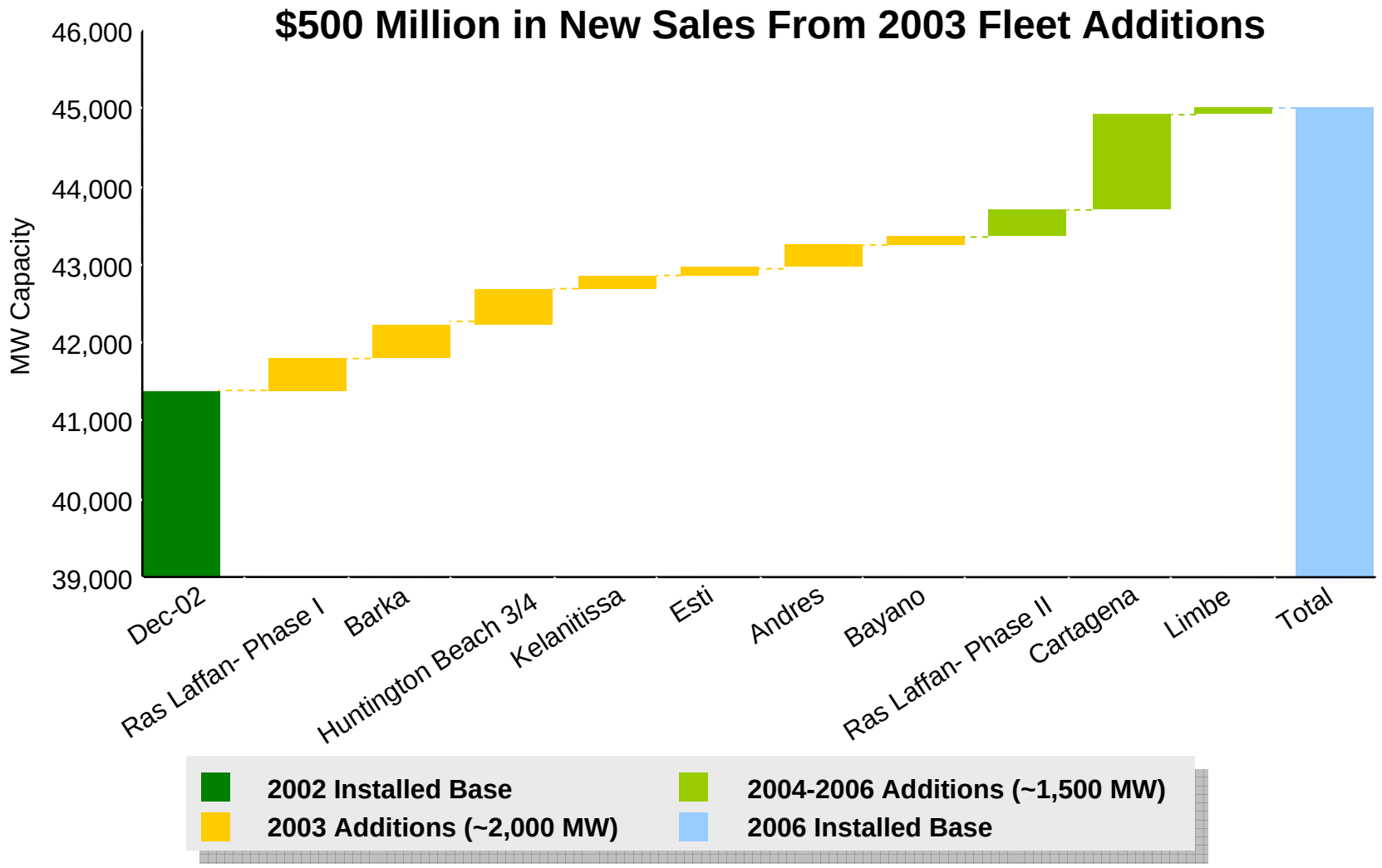
Contains Forward Looking Statements

Characteristic	Business Driver
Sales to Local Utilities or Wholesale Customers Under Long-Term Contracts (Contract Generation)	▪ Stable Cash Flows ▪ Customer Takes Fuel Cost and Demand Risks ▪ High Non-Recourse Leverage Possible Based on Project Credit Quality
Sales to Local Utilities or Wholesale Customers Under Spot/Short-Term Contracts (Competitive Supply)	▪ Higher Return Potential From Taking Demand and Fuel Cost Risks ▪ Sales and Cash Flow Variability ▪ Largest Portfolio Component is Low-Cost New York Coal Fleet
Performance Improvement Opportunities	▪ Higher Plant Availability Increases Sales ▪ Non-Fuel O&M and Global Sourcing Cost Improvements
Growth Opportunities	▪ Leverage Existing Positions ▪ Greenfield Opportunities ▪ M&A/Privatization

The Global Power Company

Growth From New Investments

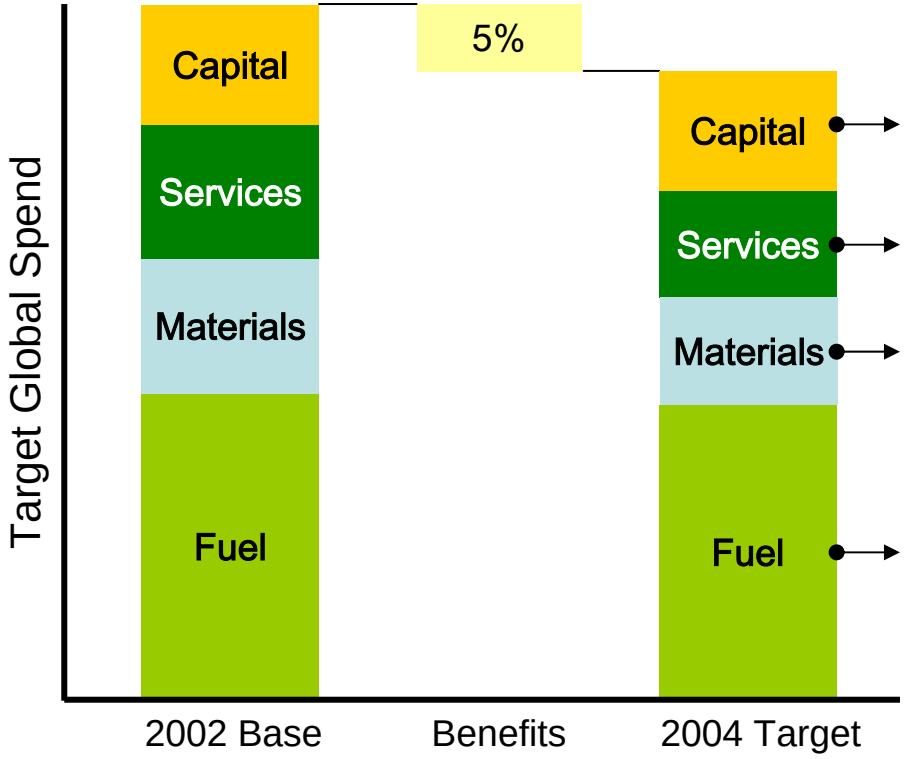
Contains Forward Looking Statements



Note: All Generation Business Plants Except Limbe, Which Is Part of Utilities Portfolio

Value From Global Sourcing

Contains Forward Looking Statements



Recent Successes

- Auctioned Meters Global Purchase – Savings of 9%
- Scaffolding Services / Outage Management – 20 to 25% Savings
- MRO, Chemicals Filters – 15 To 25% Savings, Number Of Suppliers Reduced From 1600 To 6
- Fuel Flexibility, Transportation Options, Key Contract Renegotiations – 1 to 3% Savings

KEY INITIATIVES

- Strategic Sourcing Process
- Procurement Policies And Procedures
- Supply Chain Design
- Supplier Relationship Development
- Inventory Efficiencies
- Advanced Sourcing Training

Note: 2004 Target Assumes 2002 Target Spend Volume and Mix. See Assumptions Discussion in Appendix.

Performance Improvement Operating Model

Contains Forward Looking Statements

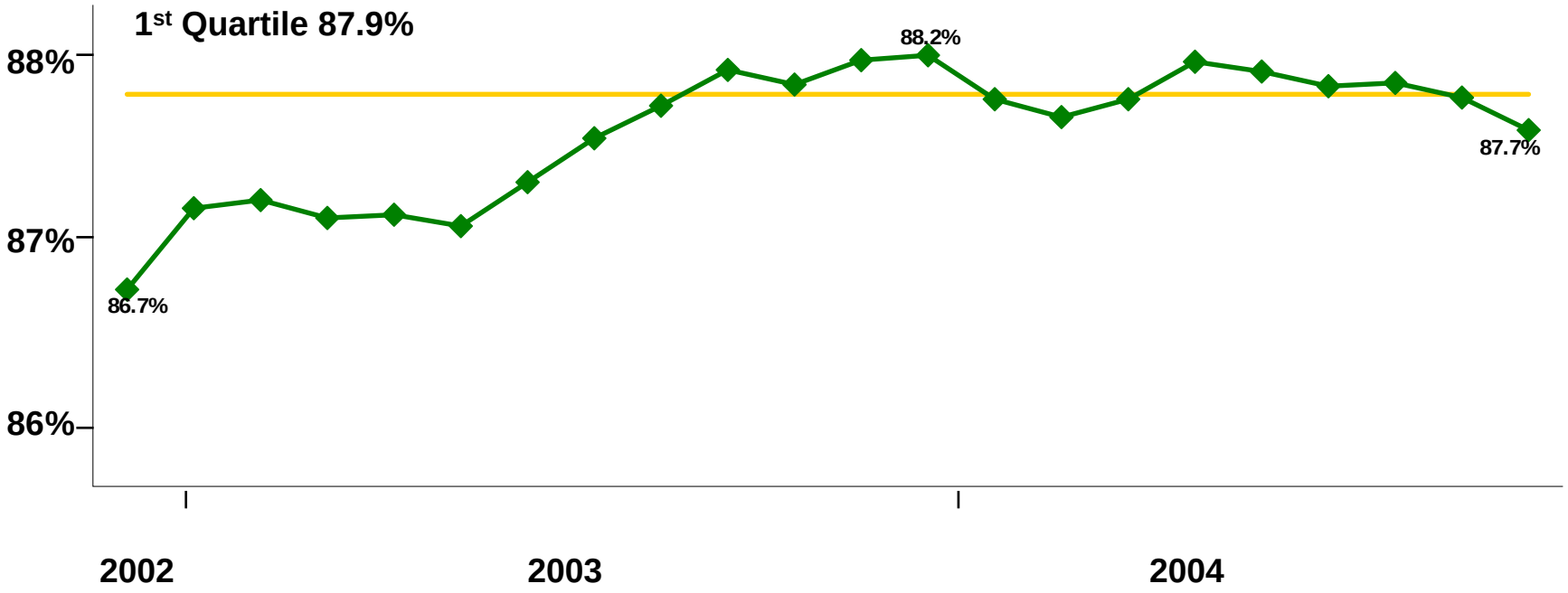
- Best Practices
- Industry Experience
- Outside Partnerships/Expertise

Develop Solutions and Leverage to Other AES Plants

Conduct Plant Assessments	***Review & Co-develop Solution Plan with Plant Management***	***Assist with Implementation***	***Improved Performance***
▪ Plant Visits ▪ Assessment Guides For Team Effectiveness/ Key Processes, Maintenance & Reliability Improvement, Heat Rate	▪ Tailored To Each Plant's Needs & Value Drivers ▪ Co-developed By Performance Group & Plant Management	▪ On-site Consulting To Stimulate Action ▪ Coordination Of Outside Parties ▪ External/Internal Perspective	

Equivalent Availability Factor EAF)

Contains Forward Looking Statements



Utilities Business Drivers

Contains Forward Looking Statements

Characteristic	Business Driver
Sales to Individuals, Businesses, and Governments	▪ Monopoly Positions ▪ Regulated Prices ▪ Demand Reflects Local Economy ▪ Transportation and Distribution Only or Integrated Utilities With Generation ▪ 17 Utilities in 8 Countries
Exposure to Emerging Markets	▪ Potential for Faster Demand Growth ▪ Commercial Losses ▪ Currency and Country Risks
Performance Improvement Opportunities	▪ Reduced Commercial Losses Increases Sales ▪ Non-Fuel O&M and Global Sourcing Cost Improvements
Growth Opportunities	▪ Organic Growth ▪ M&A/Privatization

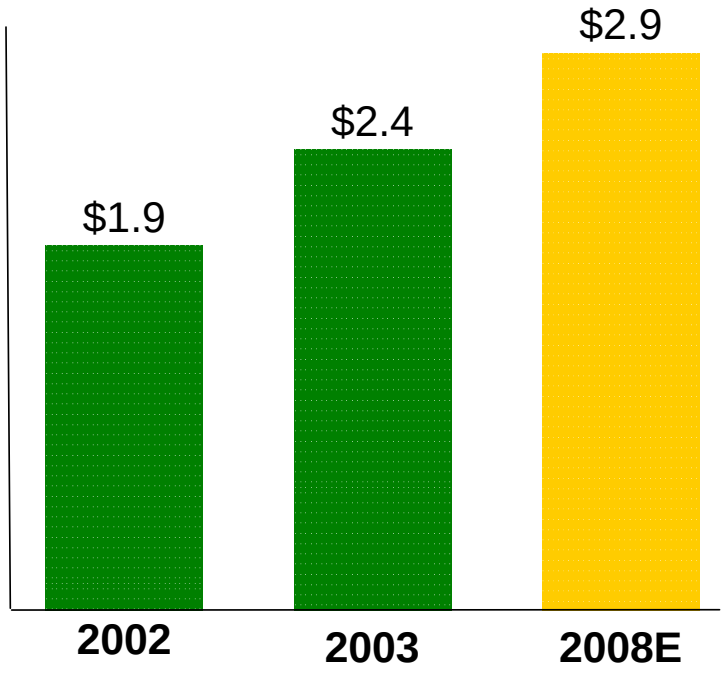
Performance Improvement Ties to Gross Margin Growth

The Global Power Company

Contains Forward Looking Statements

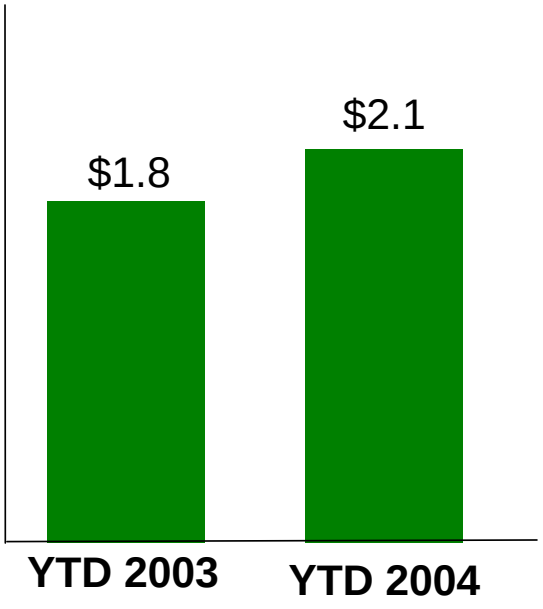
($ Billions)

Annual Gross Margin



21% Increase Over 2003

Nine Months YTD Gross Margin



15% Increase Over 2003

The Global Power Company

Success on 2004 Action Plan

2004 Action Plan	2004 Results
Complete Business Restructuring	Completed Brazil (Q1) and Chile (Q2) Restructuring
Achieve $200 Million Performance Improvement Run-Rate by Year-End 2004	$170 Million Improvement Run-Rate at End of Q3
Reduce Parent Debt by $800 Million	• Repaid $469 Million YTD • $331 Million Early Retirement in Q4
Restructure and Focused Growth Programs	Targeted and Disciplined Approach to Quality Portfolio Growth
Improved Credit Quality and Access to Subsidiary Non-Recourse Debt Markets	▪ Term Loan and Revolver Interest Rates Reduced by 1.75% and 1.5% ▪ Rating Agency Upgrades – AES, EDC (Venezuela) and Eletropaulo (Brazil) ▪ Recent Subsidiary Refinancing in US, Nigeria, Venezuela, Colombia Extend Maturities and Improve Cash Flow

Focused Growth Programs

Contains Forward Looking Statements

Long-Term Growth Strategies

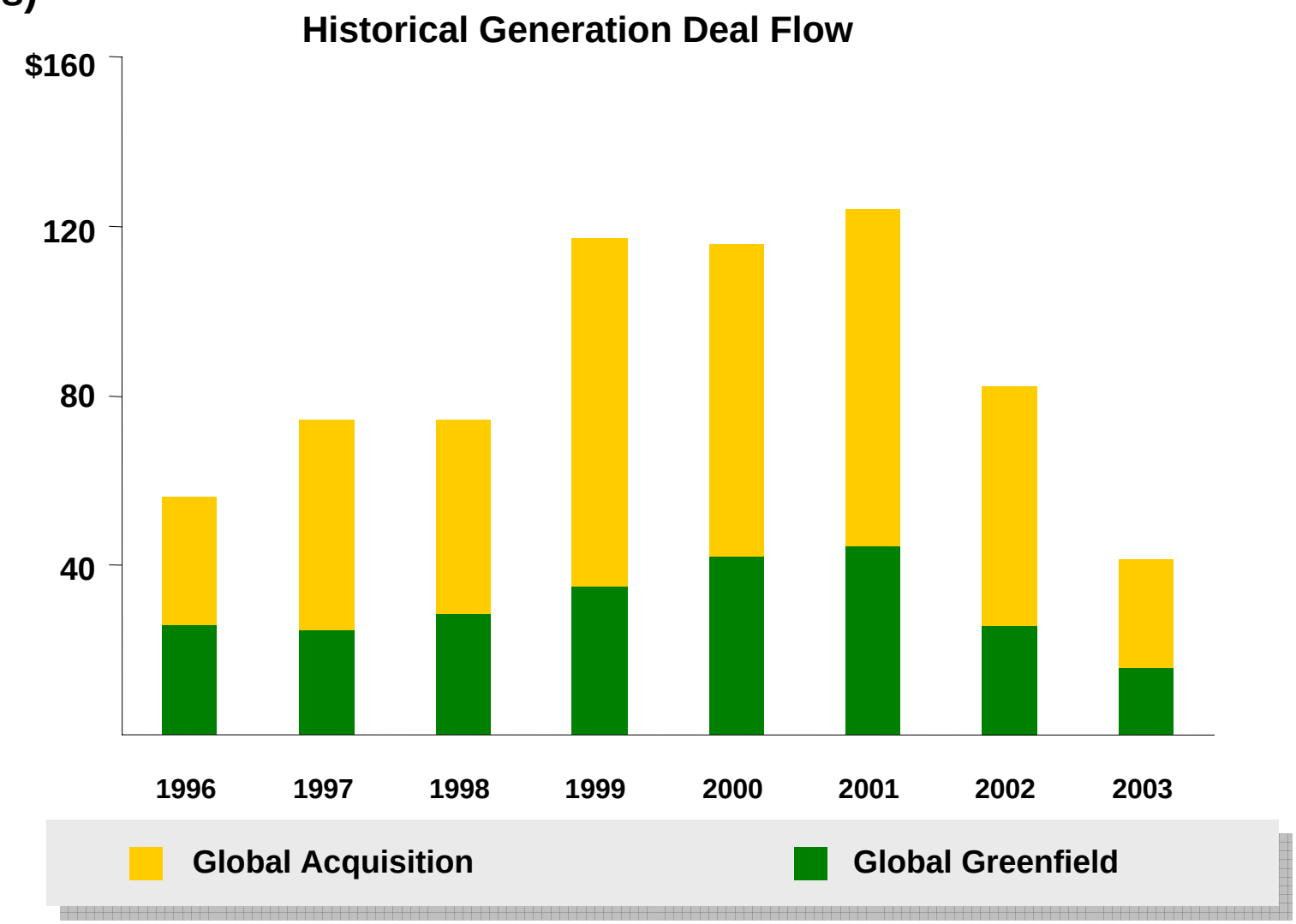
- Expansion of Existing Platform
- Targeted Acquisitions
- Greenfield Development
- Privatizations

Improved Earnings Growth
Increased Return on Capital

Modest Share of Global Market Can Support High Growth Rate

The Global Power Company

($ Billions)



Source: CERA

Key Forces Affecting Power Investment

The Global Power Company

Contains Forward Looking Statements

Favorable Forces

- **Growing Electricity Demand**
- **Continuing Need For Private Capital**
- **Government Policy Directives**
- **Efficiency of Well-Structured Markets**
- **World Bank / International Financial Institutions Policy Preferences**
- **Reduced Number of Global Competitors**

Unfavorable Forces

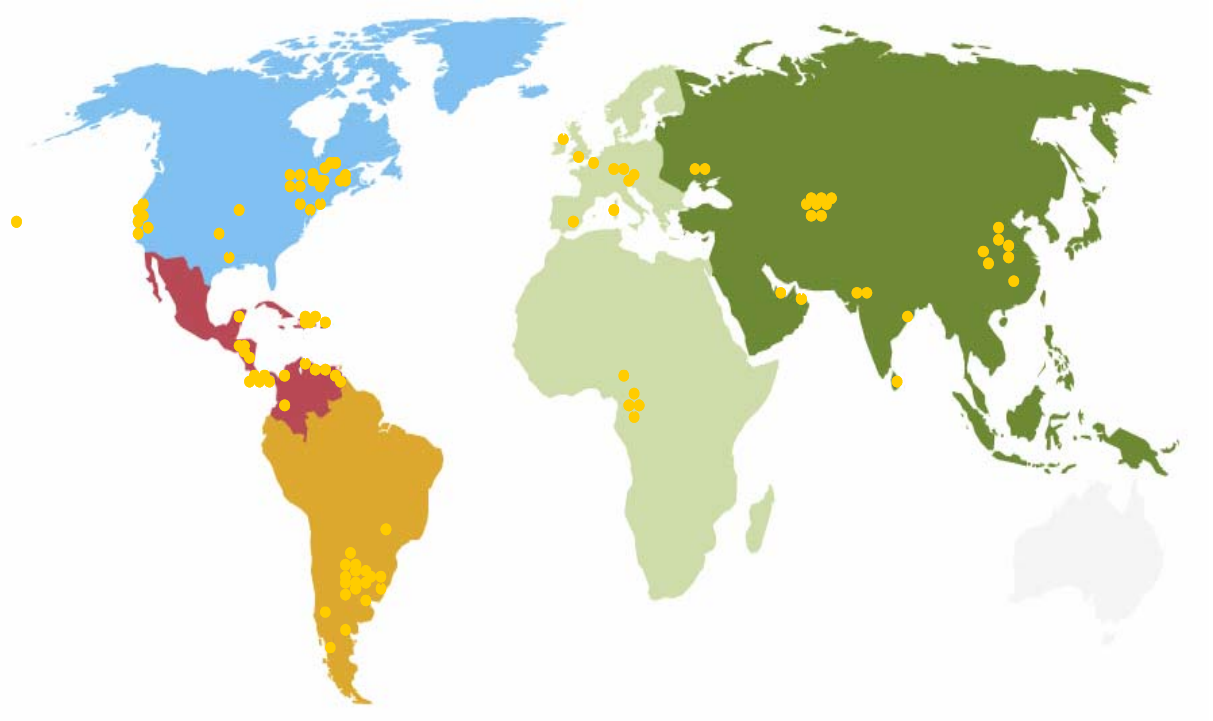
- **Future of Competitive Power**
- **New Entrants in Certain Markets**
- **Slowdown in Privatization**

Greenfield Capacity Growth Favors AES Markets

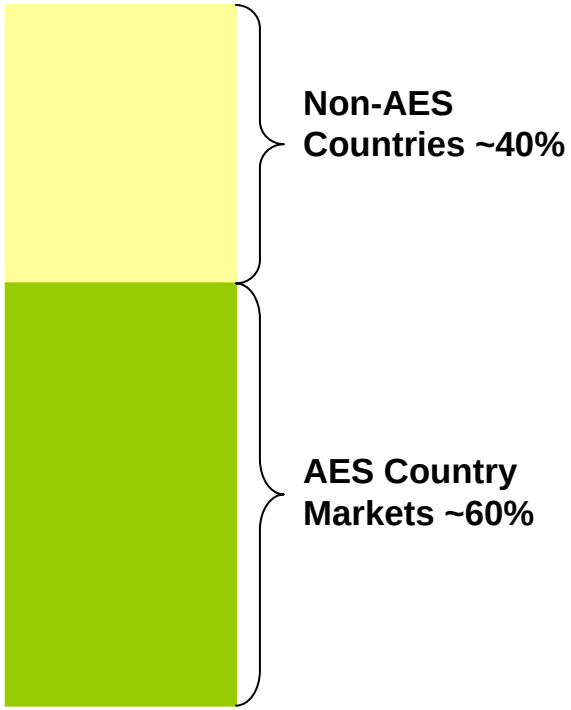
The Global Power Company

Contains Forward Looking Statements

Expected Global 5 Year Greenfield Additions ~ 550 GW



Sites of AES Operations



Global Greenfield Additions Over Next 5 Years

Source: CERA

Benefits of Global vs. Regional Presence

Contains Forward Looking Statements

Greater Potential for Consistent Growth

Portfolio Management Opportunities

Learning and Knowledge Sharing Across the Globe

Scale Advantages

- Purchasing Power
- Overhead Spread Over Larger Base

Global Options for Platform Expansion

The Global Power Company

Key Value Drivers

Contains Forward Looking Statements

Five-Year Growth Metrics (2004-2008)

19% EPS* Base Case Scenario

Gross Margin Expansion	200+ Basis Points
After-Tax ROIC Improvement	50 Basis Points/Year
Corporate Debt Reduction	$2.3 Billion Reduction
Corporate Interest Expense Reduction	40% Reduction

* Diluted EPS From Continuing Operations

The Global Power Company

Global Opportunity

Contains Forward Looking Statements

Excellence in Execution

- New Contracted Capacity – 3,500 MW Total
- Benefits From Operations Improvements

Financial Flexibility

- Parent and Subsidiary Deleveraging

Disciplined Growth

Solid Financial Outlook

Incentives Aligned With Shareholders

- Growing Free Cash Flow (Cash Value Added)
- Outperform S&P 500 2004-7



Appendix - Reconciliation of Adjusted Earnings Per Share

The Global Power Company

($ Per Share)

	2003
Adjusted Earnings Per Share*	**$0.56**
FAS 133 Mark-to-Market Gains/(Losses)	(0.07)
Currency Transaction Gains/(Losses)	0.19
Net Asset Gains/(Losses and Impairments)	(0.24)
Debt Retirement Gains/(Losses)	0.12
Diluted EPS From Continuing Operations	**$0.56**

* 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, Venezuela, and Argentina, (c) significant asset gains or losses due to disposition transactions and impairments, and (d) early retirement of recourse debt. AES believes that adjusted earnings per share better reflect the underlying business performance of the Company, and are 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, and periodic strategic decisions to dispose of certain assets which may influence results in a given period.

NOTE: AES revised the definition of adjusted EPS in the second quarter of 2004 to focus greater attention on only three key currencies resulting in foreign currency transaction gains or losses on net monetary positions (those of Brazil, Venezuela, and Argentina). The prior definition included the effects of all foreign currencies. In addition, only significant asset gains or losses due to disposition transactions and impairments are included. The prior definition included all asset gains or losses due to disposition transactions and impairments. Finally, the revised definition reflects the specific tax impact of each amount. The result is a $0.03 increase in the annual adjusted EPS for the full year 2003 from $0.53, as reported in the first quarter of 2004 to $0.56.

Appendix - Reconciliation of Subsidiary Distributions and Parent Liquidity

The Global Power Company

($ Millions)

Parent Only Data	Quarter Ended						
Total Subsidiary Distributions & Returns of Capital to Parent	**September 30, 2004**	**June 30, 2004**	**March 31, 2004**	**December 31, 2003**	**September 30, 2003**	**June 30, 2003**	**March 31, 2003**
	Actual	**Actual**	**Actual**	**Actual**	**Actual**	**Actual**	**Actual**
Subsidiary Distributions to Parent	**$209**	**$292**	**$204**	**$248**	**$312**	**$312**	**$136**
Net Distributions to/(from) QHCs*	**12**	**10**	**-**	**7**	**7**	**(12)**	**34**
Total Subsidiary Distributions	**221**	**302**	**204**	**255**	**319**	**300**	**180**
Returns of Capital Distributions to Parent	**110**	**-**	**3**	**17**	**199**	**24**	**2**
Net Returns of Capital Distributions to/(from) QHCs*	**11**	**-**	**-**	**1**	**(7)**	**6**	**0**
Total Returns of Capital Distributions	**121**	**-**	**3**	**18**	**192**	**30**	**2**
Combined Distributions & Return of Capital Received	**342**	**302**	**207**	**273**	**511**	**330**	**182**
Less: Combined Net Distributions & Returns of Capital to/(from) QHCs*	**(23)**	**(10)**	**-**	**(8)**	**-**	**6**	**(44)**
Total Subsidiary Distributions & Returns of Capital to Parent	**$319**	**$292**	**$207**	**$265**	**$511**	**$336**	**$138**

	Balance at				
Liquidity**	**September 30, 2004**	**June 30, 2004**	**March 31, 2004**	**December 31, 2003**	**September 30, 2003**
	Actual	**Actual**	**Actual**	**Actual**	**Actual**
Cash at Parent	**$525**	**$310**	**$268**	**$865**	**$525**
Availability Under Revolver	**325**	**331**	**371**	**180**	**172**
Cash at QHCs*	**13**	**15**	**17**	**26**	**41**
Ending Liquidity	**$863**	**$656**	**$656**	**$1,071**	**$738**

* See Next Page.

** See Next Page.

Appendix - Assumptions

Forecasted financial information is based on certain material assumptions. Such assumptions include, but are not limited to (a) we assume continued normal levels of operating performance and electricity demand at our distribution companies, (b) we assume operational performance at our contract generation businesses consistent with historical levels and in accordance with the provisions of the relevant contracts, (c) we assume achievements of planned productivity improvements, and (d) we assume incremental growth investments at investment levels and rates of return consistent with prior experience.

In addition, benefits from global sourcing include avoided cost savings, reduction in capital project costs versus budgetary estimates, and projected savings based on assumed spend volume which may or may not actually be achieved. These benefits will not be fully reflected in the Company's consolidated financial results.

* 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.

** 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.

Certain statements 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 statement. We urge investors to read our descriptions and discussions of these risks that are contained under the section "Cautionary Statements and Risk Factors" in the Company's Annual Report on Form 10K for the year ended December 31, 2003 as well as our other SEC filings.

Appendix - Reconciliation of Cash Flow Items

The Global Power Company

Reconciliation of Free Cash Flow ($ Billions)

Definition

- Free Cash Flow – Net Cash from Operating Activities Less Maintenance Capital Expenditures

	Year to Date 2004	Year to Date 2003
Free Cash Flow	**$0.746**	**$0.731**
Less: Maintenance Capital Expenditures	$0.363	$0.355
Net Cash Provided by Operating Activities	**$1.109**	**$1.086**

* Includes Qualified Holding Companies.