AES CORPORATION

AES Investor Presentation



August, 2006

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 Annual Report on Form 10-K for the year ended December 31, 2005 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

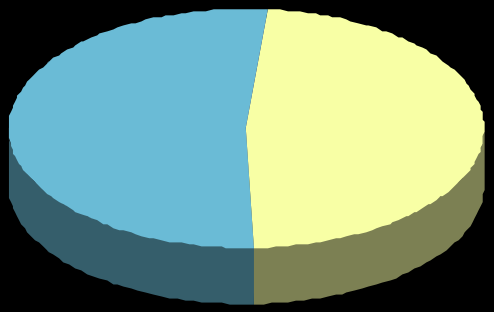


$11 billion revenue power generation and distribution business
$2.2 billion net cash provide by operating activities
Capacity to serve 100 million people in 26 countries

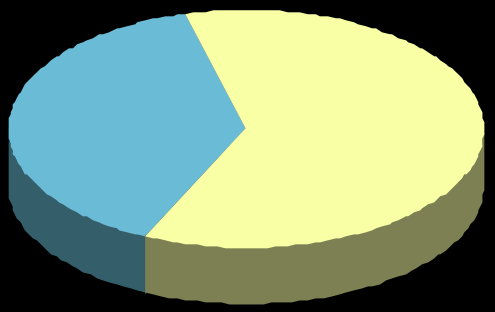
Note: Results exclude businesses placed in discontinued operations as of June 30, 2006. Countries and locations include projects under construction.

Diversified Utilities and Generation Portfolio

2005 Revenue
$11 billion



2005 Gross Margin
$3.2 billion



- Regulated Utilities in 7 countries
- Generation (1)
  - 77% Revenue from long-term contracts
  - 23% Revenue from short-term contracts and spot sales

(1) Generation comprises Contract Generation and Competitive Supply segments.

Note: Results exclude businesses placed in discontinued operations as of June 30, 2006

Meeting Our Commitments

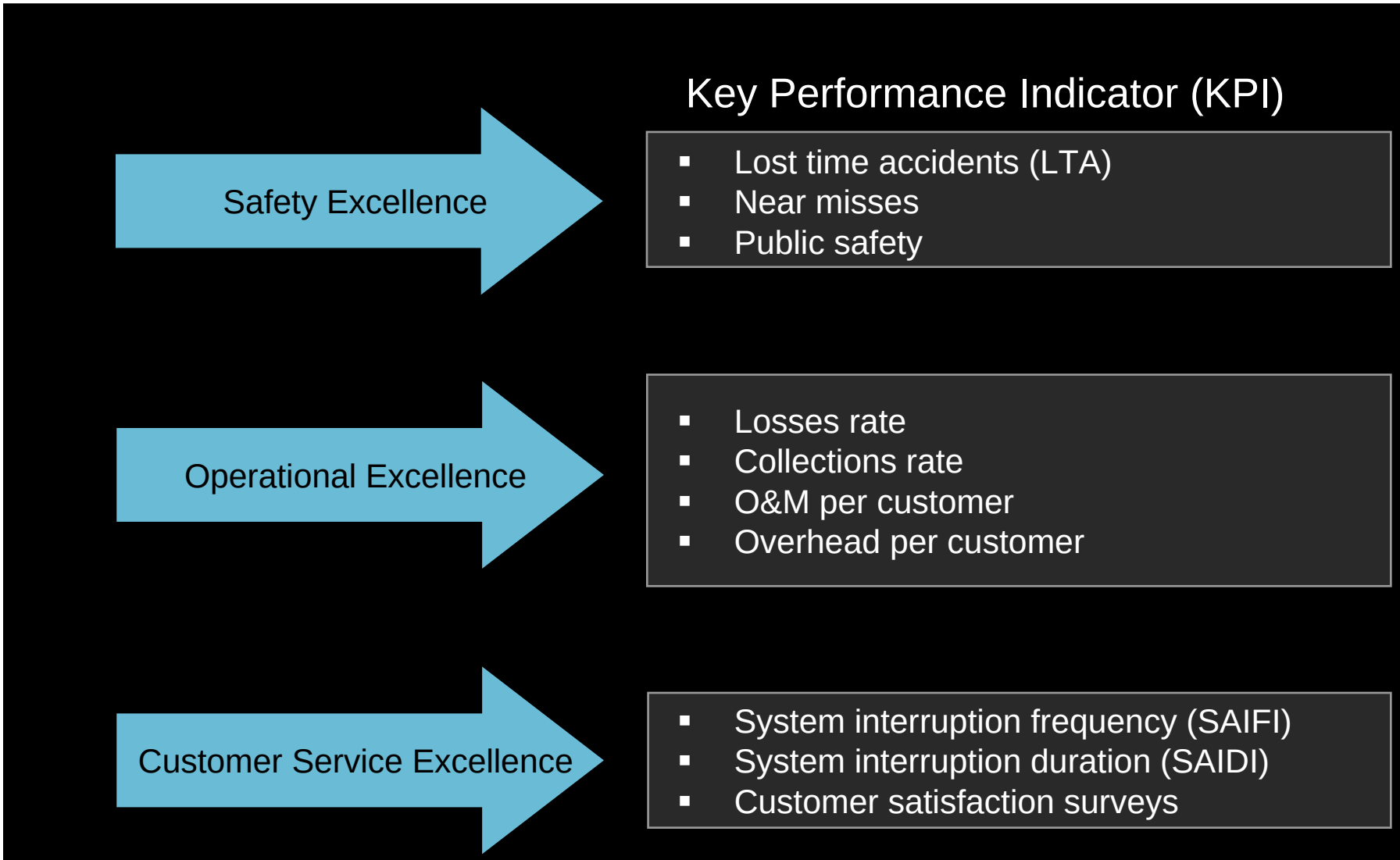
$ billions except per share amounts

Contains Forward Looking Statements

Guidance Element	2003 Actual	Original 2008 Guidance From 2003 Analyst Meeting	2005 Actual	Updated 2008 Guidance
Gross Margin	$2.5	$2.9	$3.2	$3.5
Diluted EPS From Continuing Operations	$0.49	$1.03-1.34	$0.96	$1.18-1.34
Net Cash From Operating Activities	$1.6	$2.1	$2.2	$2.6-2.9

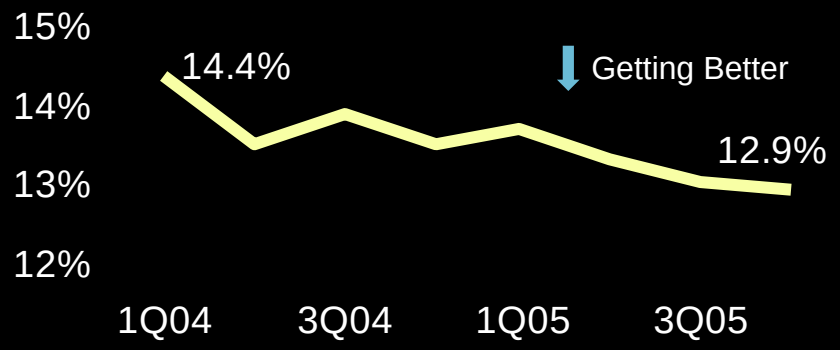
Note: Certain 2003 results and 2005 EPS include businesses placed in discontinued operations effective June 30, 2006.

KPIs – Regulated Utility Example

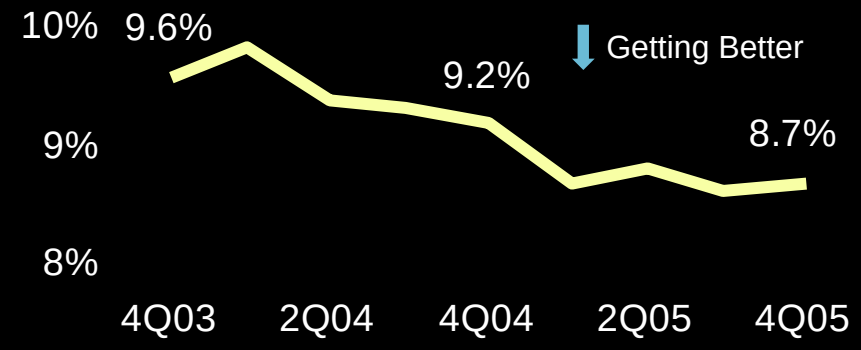


KPI Focus – Utility Losses in Latin America

Eletropaulo – Total Losses (1)



AES El Salvador – Total Losses (2)



(1) Trailing 12 months, excludes rebilled energy.
(2) Trailing 12 months.

In 2005 every AES regulated utility improved year-over-year total loss rates

Eletropaulo, Brazil
- Refocused loss reduction efforts
- Increased number and efficiency of theft inspections
- Results: 10% improvement since beginning of 2004 and normalized 188 MWh in 2005

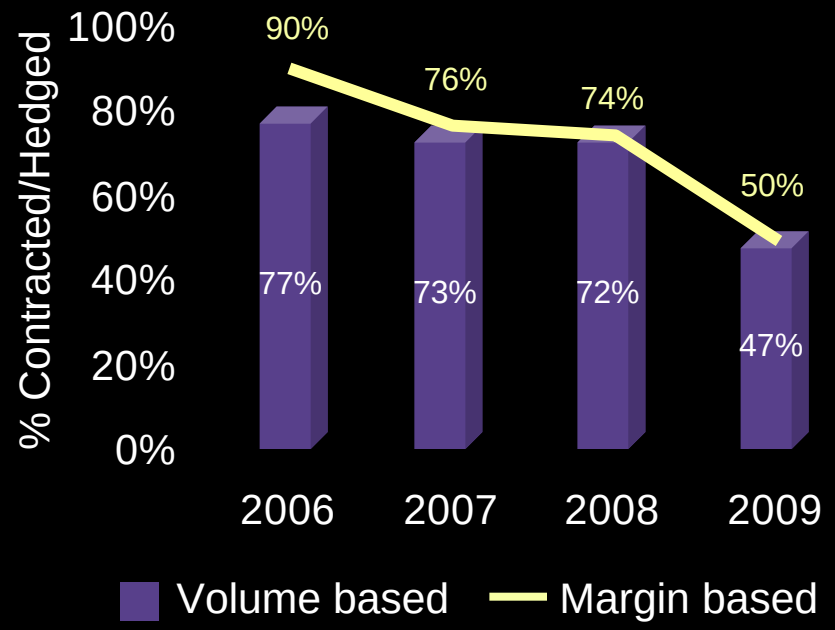
AES El Salvador
- Improved meter inspections and follow up (replacement and recalibration)
- Improved meter reading practices
- Changed 73,000 obsolete meters in 2004-2005
- Result: 10% improvement since 2003

Limited US Merchant Exposure Hedged With Creditworthy Customers

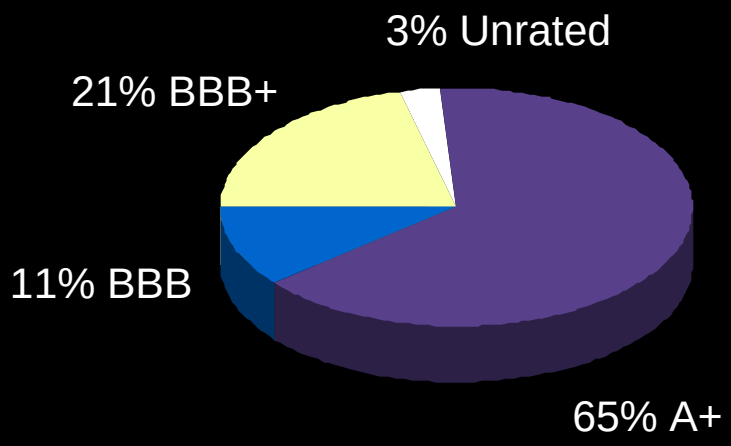
Contains Forward Looking Statements

AES Eastern Energy Contracting Strategy

Hedge Metrics (1)



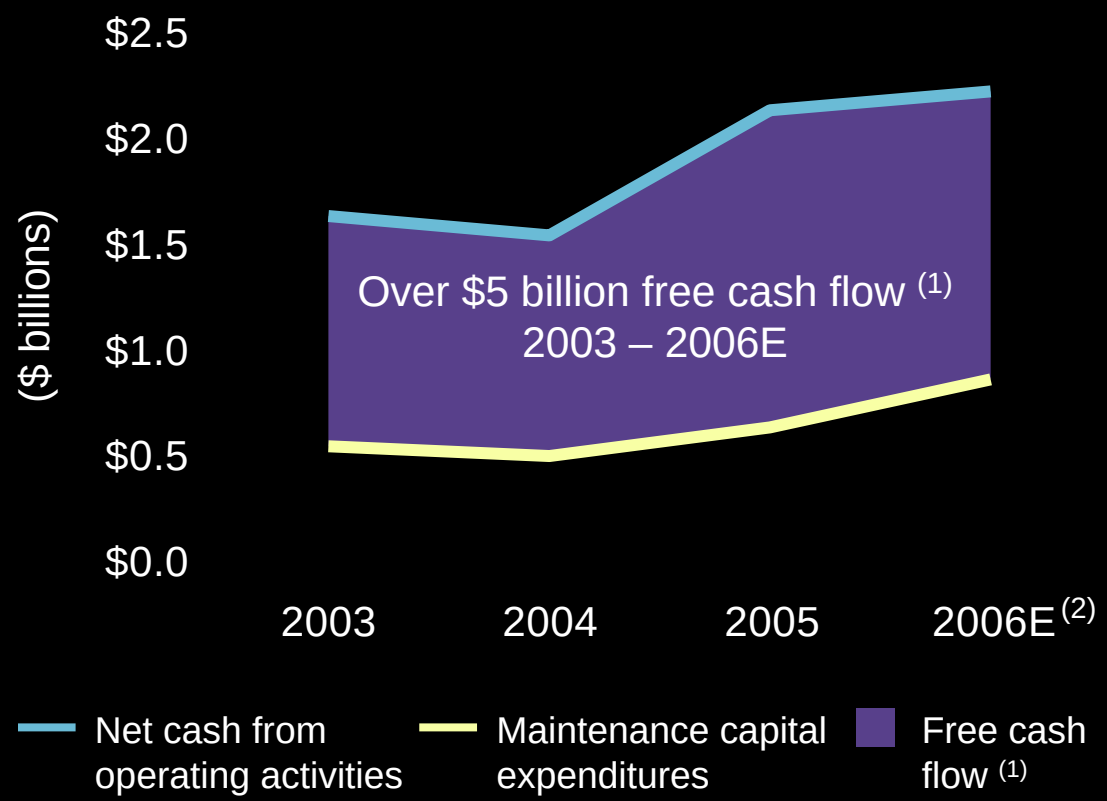
Hedge % by Counterparty Credit (2006) (1)



(1) As of June 30, 2006.

Strong Cash Flow Trends Continue

Contains Forward Looking Statements



2005 highlights

- Net cash from operating activities $2.2 billion
- Free cash flow $1.5 billion

2006 guidance reflects:

- Higher maintenance capital expenditures
- U.S. environmental projects that are expected to generate positive returns

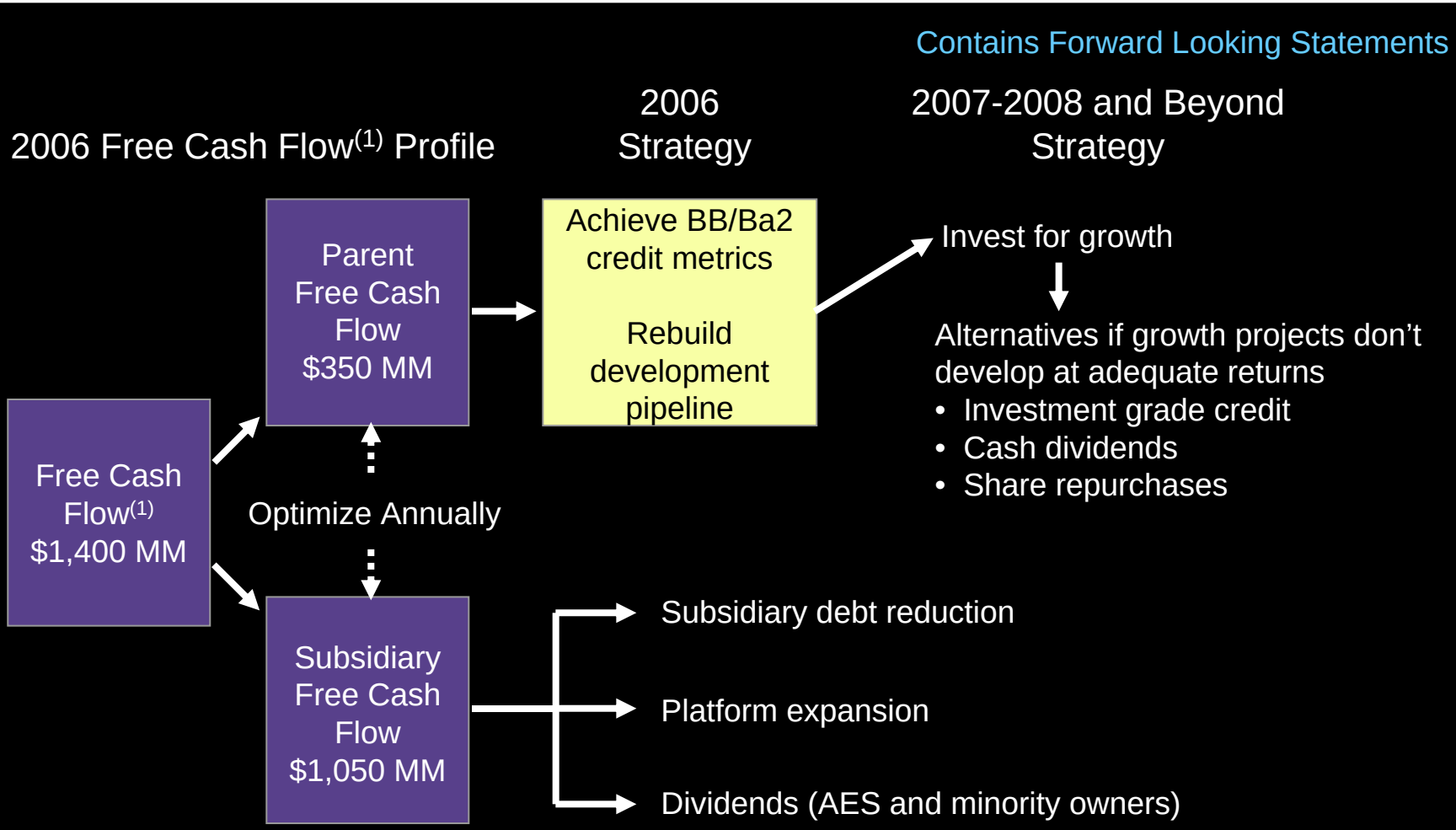
(1) Non-GAAP financial measure. See Appendix.

(2) Based on midpoints of 2006 guidance of $2.2 to $2.3 billion net cash provided by operating activities, maintenance capital expenditures of $800 to $900 million, and free cash flow of $1.3 to $1.5 billion.

Note: Results exclude businesses placed in discontinued operations as of June 30, 2006

Disciplined Use of Growing Free Cash Flow

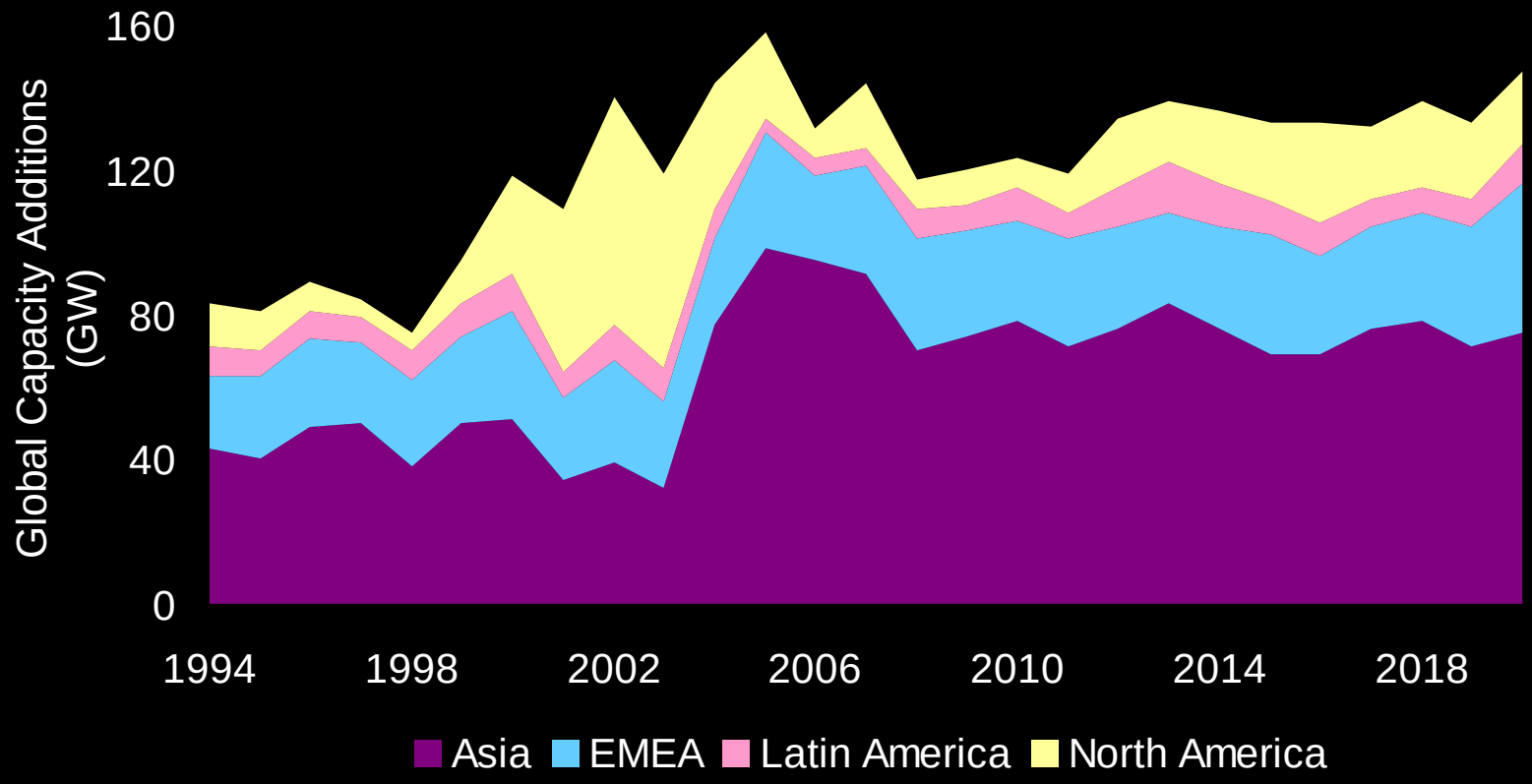
Contains Forward Looking Statements



(1) Non-GAAP financial measure based on midpoint of 2006 guidance of $1.3 to $1.5 billion and is reconciled from 2006 guidance for net cash from operating activities of $2.2 to $2.3 billion less maintenance capital expenditures of $800 – $900 million. Estimated allocation of this midpoint 2006 free cash flow guidance is approximately $350 million at the parent company and $1,050 million at subsidiaries. Guidance excludes businesses placed in discontinued operations as of June 30, 2006.

$3 Trillion in New Generation Capacity Worldwide Forecasted Through 2015

Contains Forward Looking Statements



Almost 90% of expected worldwide generation capacity investment through 2015 will be outside North America

Source: CERA. EMEA = Europe, Middle East & Africa. Based on AES regional market alignment as of December 30, 2005

Growth Investment and Portfolio Management Strategy

Traditional Development

- Greenfield projects
- Platform expansions
- Acquisitions
- Privatizations

New and Adjacent Markets

- LNG regasification
- Greenhouse gas emission offsets
- Alternative energy
- Coal mining

Portfolio Management

- Minority interest sales to partners
- Access attractive local capital markets
- Asset sales

Platform Expansion Example: Gener

Contains Forward Looking Statements

Ventanas Plant, Chile



Los Vientos 120MW diesel-fired power plant

- $37 million capital cost
- 2006 start-up
- Supports peaking, fuel diversification and hydrology risk management strategies
- Fits existing generation tariff structure

Proposed coal-fired power plants

- 200-250MW plants at existing Guacolda and Ventanas sites
- 2009 Start-Up
- Combined capital costs $600 million
- Participating in Chilean RFP process

Platform expansion revenue potential $175 million by 2010 (combined basis)

Other examples: 150MW Changuinola, Panama hydroelectric project

Greenfield Investment Example: Bulgaria

Contains Forward Looking Statements

670MW lignite-fired power plant

$1.4 billion project cost

Strong commercial and financing terms

- 15 year contract with national utility
- 15 year lignite supply agreement minimizes energy supply risks
- Letter of government support
- €790 million non-recourse financing closed in December with commercial and multilateral banks
- $600 million unsecured corporate credit facility for letter of credit support

Commenced construction May 2006

$300 million+ expected annual revenues

Proposed AES Maritza Plant, Bulgaria



Other examples: 1,200MW Cartagena power plant, Spain (in construction)

New and Adjacent Markets Investment Example: Wind

Contains Forward Looking Statements

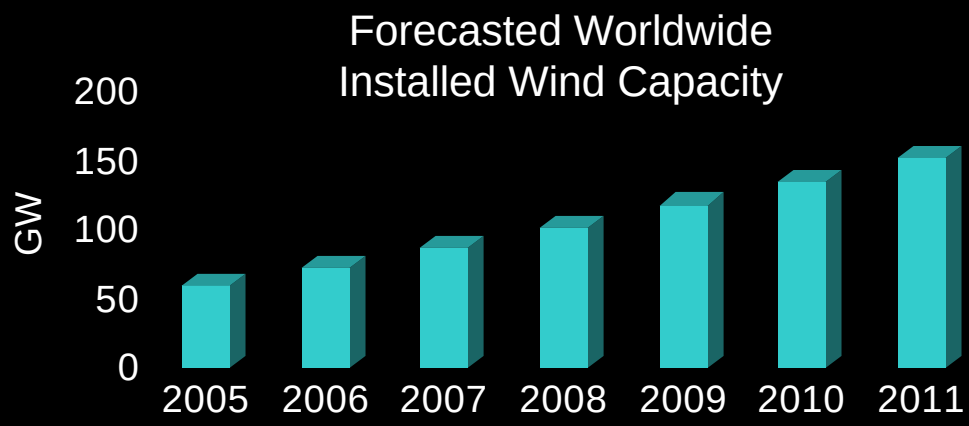
Global installed capacity expected to increase by 100% over the next five years

Operating 600MW of wind projects

- 121MW Buffalo Gap wind farm in Texas recently completed
- 54MW wind acquisition in California announced in April
- WEL wind development acquisition in U.K. announced in July

Pursuing 2,000MW of additional projects in selected markets including the US, China, India, Europe and Latin America





Source: EER.

New and Adjacent Markets Investment Example: LNG Regasification

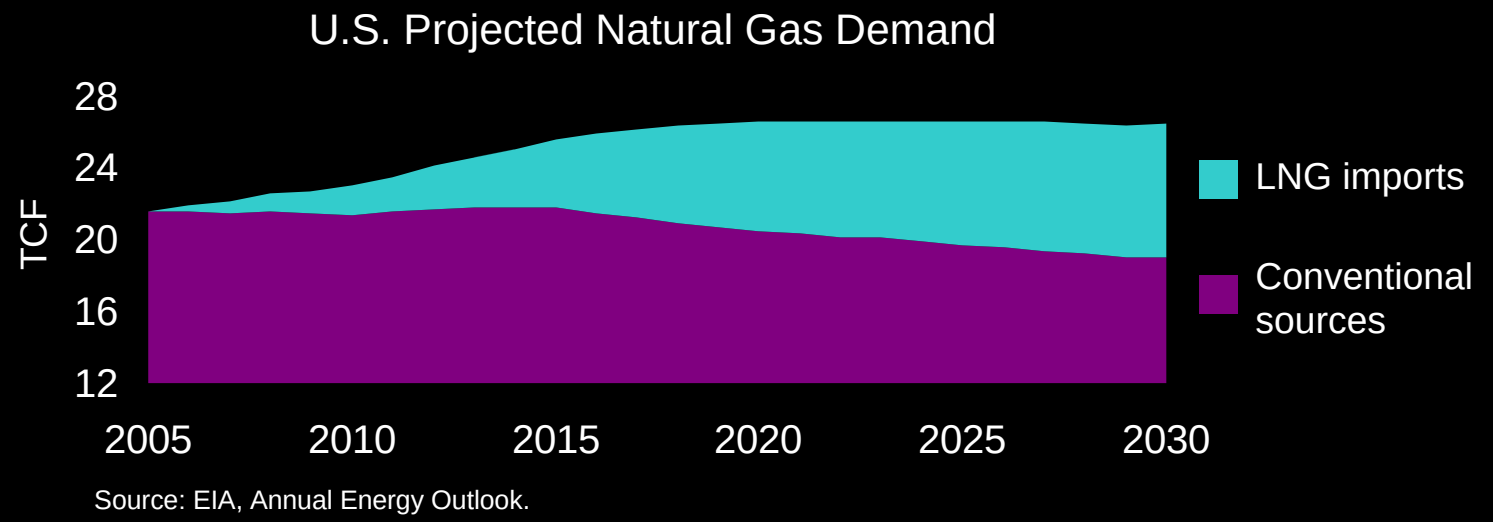
Contains Forward Looking Statements

Supply to the U.S. to increase from 3% today to 20% in 2020

Developing LNG regasification terminals in:

- Bahamas
- Boston
- Baltimore





Source: EIA, Annual Energy Outlook.

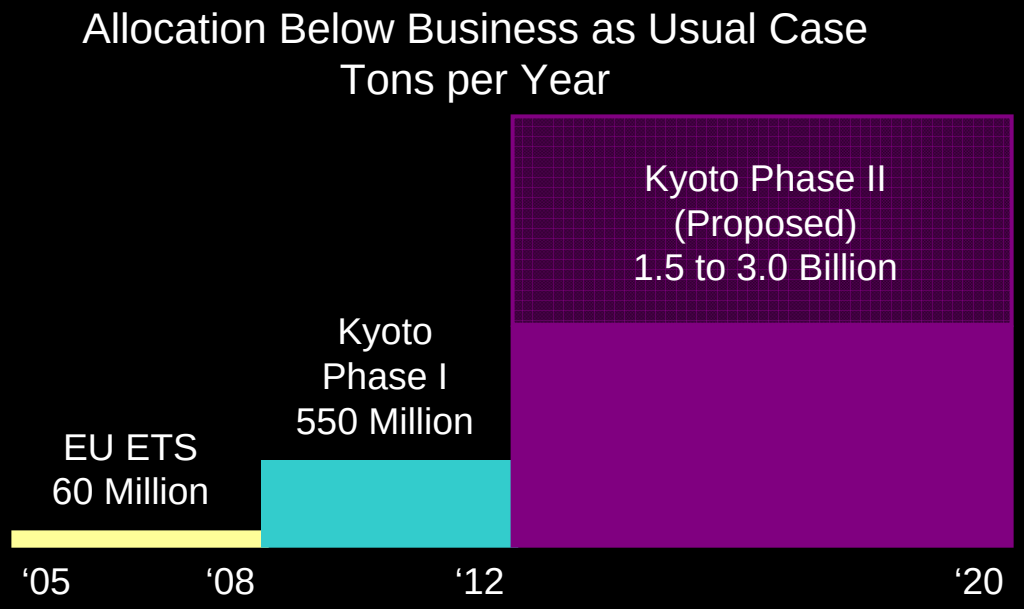
New and Adjacent Markets Investment Example: GHG Emissions Offsets

Contains Forward Looking Statements

New environmental regulations expected to create a $10 billion a year market for emission offset credits

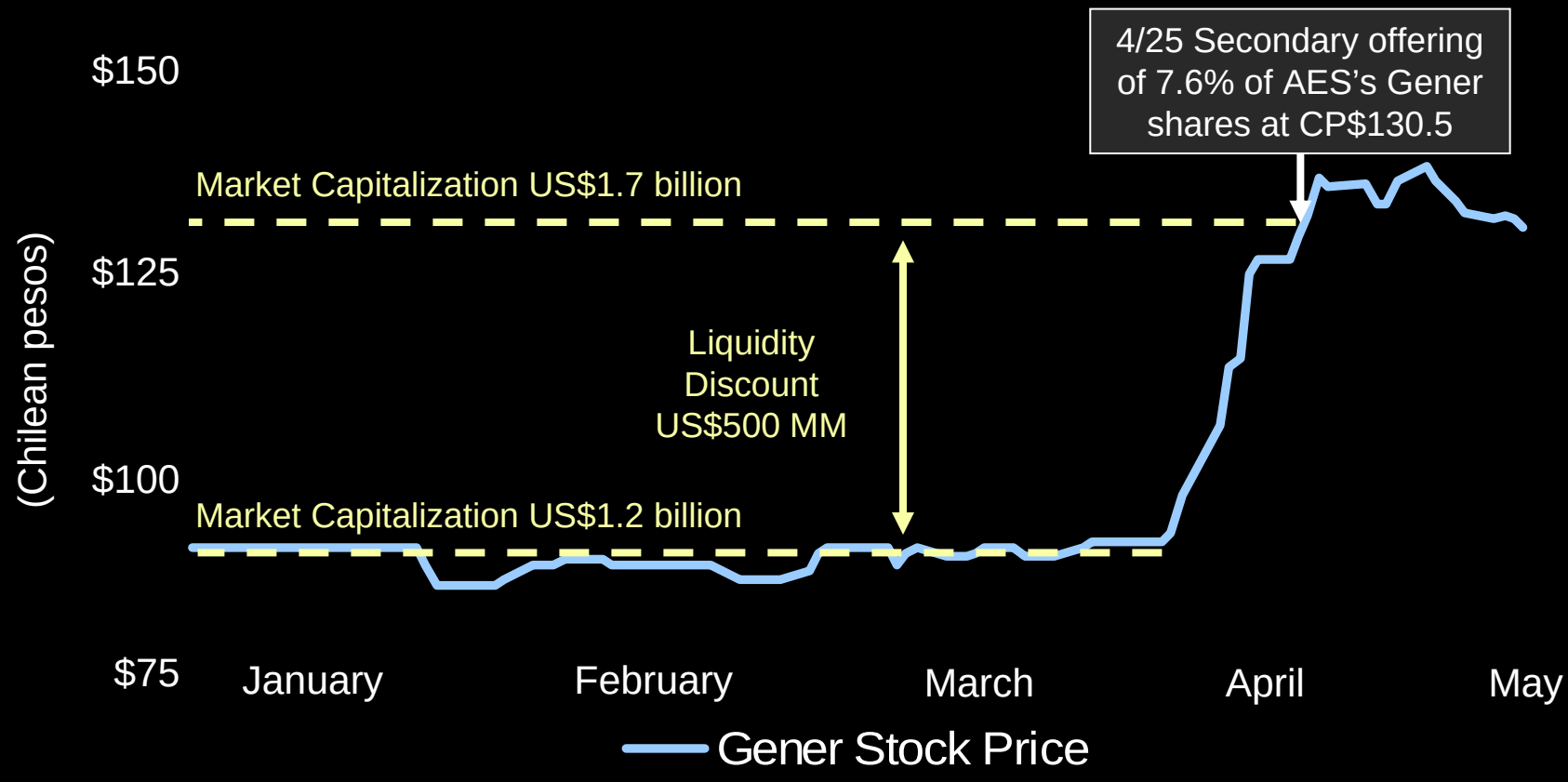
$100 million in investments to date will generate over 17 million tons of carbon reduction





Abundant Capital Creates Portfolio Management Opportunities

Contains Forward Looking Statements



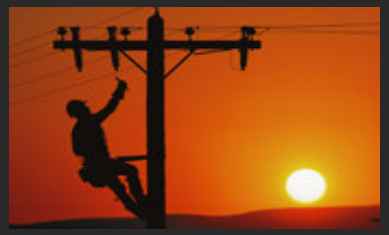
Other examples: Kingston, Canada plant investment sale

Why Invest in AES?

Contains Forward Looking Statements

- Global demand for power continues to grow
  - $3 trillion in new generation capacity by 2015
  - Feeding growth in new and adjacent markets
- AES is well positioned to leverage market opportunities and industry dynamics
  - Global reach, local insights
  - Portfolio diversity, financial flexibility
- Focused on long-term value creation with sustained growth in EPS, free cash flow and ROIC [(1)]



[(1)] Non-GAAP financial measure. See Appendix.

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: 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: 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 22 for definitions of non-GAAP financial measures. Results include businesses placed in discontinued operations effective June 30, 2006.

Appendix: Reconciliation of Free Cash Flow and Parent Interest Expense

		2005	2004	2003
Free cash flow reconciliation	Net cash from operating activities	$2,165	$1,571	$1,642
	Maintenance capital expenditures	(631)	(507)	(542)
	Free cash flow	$1,534	$1,064	$1,100
Property additions reconciliation	Growth capital expenditures	$512	$385	$686
	Maintenance capital expenditures	631	507	542
	Property additions	$1,143	$892	$1,228
Parent interest expense reconciliation	Non-recourse interest expense	$1,470	$1,459	$1,415
	Parent (recourse) interest expense	426	473	569
	Total interest expense	$1,896	$1,932	$1,984

See page 33 for definitions of non-GAAP financial measures. Results include businesses placed in discontinued operations effective June 30, 2006.

Appendix: Return on Invested Capital (ROIC)

($ Millions except percent)

Net Operating Profit After Tax[1]	Third Quarter 2004	Fourth Quarter 2004	First Quarter 2005	Second Quarter 2005	Rolling Twelve Months Second Quarter 2005	Third Quarter 2005	Fourth Quarter 2005	First Quarter 2006	Second Quarter 2006	Rolling Twelve Months Second Quarter 2006
IBT&MI	**$226**	**$204**	**$375**	**$186**	**$991**	**$484**	**$408**	**$633**	**$483**	**$2,008**
Reported Interest Expense	**497**	**491**	**466**	**475**	**1,929**	**448**	**502**	**432**	**442**	**1,824**
Income Tax Expense[2]	**(393)**	**(494)**	**(330)**	**(284)**	**(1,459)**	**(273)**	**(285)**	**(320)**	**(203)**	**(1,080)**
Net Operating Profit After Tax	**330**	**201**	**511**	**377**	**1,461**	**659**	**625**	**745**	**722**	**2,752**
Effective Tax Rate[3]	54.4%	71.1%	39.2%	43.0%	49.9%	29.3%	31.4%	30.0%	21.9%	28.2%
ROIC[4]					**7.3%**					**13.2%**

Total Capital[5]	Second Quarter 2004	Second Quarter 2005	Second Quarter 2006
Total Debt	$18,185	$18,086	$17,497
Minority Interest	981	1,462	2,256
Stockholders' Equity	1,386	1,210	2,451
Debt Service Reserves and Other Deposits	(574)	(593)	(612)
Total Capital	$19,978	$20,165	$21,592
Average Capital[6]		**$20,072**	**$20,879**

(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 stockholders' equity less debt service reserves.
(6) Average capital is defined as the average of beginning and ending total capital over the last 12 months.

Note: Results exclude businesses placed in discontinued operations as of June 30, 2006