

AES CORP

FORM 8-K (Current report filing)

Filed 04/05/05 for the Period Ending 04/05/05

Address	4300 WILSON BOULEVARD ARLINGTON, VA 22203
Telephone	7035221315
CIK	0000874761
Symbol	AES
SIC Code	4991 - Cogeneration Services & Small Power Producers
Industry	Electric Utilities
Sector	Utilities
Fiscal Year	12/31

AES CORP

FORM 8-K (Unscheduled Material Events)

Filed 4/5/2005 For Period Ending 4/5/2005

Address	4300 WILSON BOULEVARD ARLINGTON, Virginia 22203
Telephone	703-522-1315
CIK	0000874761
Industry	Electric Utilities
Sector	Utilities
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): April 5, 2005

THE AES CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction)
of incorporation)

001-12291

(Commission file number)

54-1163725

(I.R.S. employer
identification no.)

**4300 Wilson Boulevard, Suite 1100
Arlington VA. 22203**

(Address of principal executive offices) (Zip Code)

(703) 522-1315

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4c))
-
-

Item 7.01 Regulation FD Disclosure.

Barry J. Sharp, Chief Financial Officer and Executive Vice President of The AES Corporation, is participating in a conference being held on April 5 - 6, 2005. A copy of Mr. Sharp's slide presentation is being furnished as Exhibit 99.1 to this Current Report on Form 8-K which is incorporated by reference into this Item 7.01. The information contained in the slide presentation furnished as an exhibit hereto and incorporated by reference into this Item 7.01 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended.

Item 9.01 Financial Statements and Exhibits.

- (a) Financial Statements of Businesses Acquired: Not applicable
- (b) Pro Forma Financial Information: Not applicable
- (c) Exhibits:

Exhibit No.

Document

99.1

The AES Corporation slide presentation to be given on April 5-6, 2005 by Barry Sharp, Chief Financial Officer and Executive Vice President.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE AES CORPORATION

Date: April 4, 2005

By: /s/ Vincent W. Mathis
Name: Vincent W. Mathis
Title: Vice President and Assistant
General Counsel

Exhibit 99.1

AES Corporation

April 5-6, 2005

Barry Sharp
Executive Vice President and
Chief Financial Officer



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The Global Power Company

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 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. 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 the caption "Cautionary Statements and Risk Factors" in AES's most recent annual report on Form 10-K. Readers are encouraged to read AES's filings to learn more about the risk factors associated with AES's business. AES undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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, 2004 as well as our other SEC filings.



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One of the Largest Global Power Companies

Contains Forward Looking Statements



- Operations in 27 countries on 5 continents
- Capacity to serve 100 million people
- \$9.5 billion in revenues
- \$30 billion in assets

3

www.aes.com

[Link to searchable text of slide shown above](#)



The Global Power Company

AES is an Attractive Investment

Contains Forward Looking Statements

- Excellence in execution
 - Continued strong financial performance
 - Above market EPS growth
 - Strong operating model
 - Performance improvements
- Sustained value creation
 - AES distinctiveness
 - Well-defined growth strategies and approach



The Global Power Company

AES Investor Scorecard

Contains Forward Looking Statements

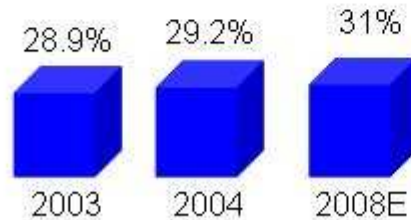
Revenue (\$Billions)
2003 – 2008E CAGR 6%



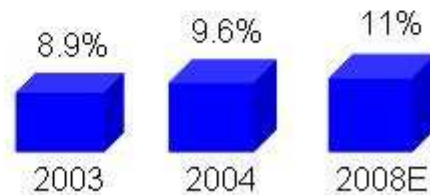
Gross Margin (\$Billions)
2003 – 2008E CAGR 8%



Gross Margin as % of Sales
2003 – 2008E Improvement to 31%



Return on Invested Capital
2008E Improvement to 11%





Delivering On Our Commitments

2003-2004 Goals	Results
Complete business restructuring	<ul style="list-style-type: none">▪ Achieved▪ Completed \$6 billion debt restructuring/ re-profiling/refinancing transactions
Reduce parent debt by \$2 billion	<ul style="list-style-type: none">▪ Achieved
Achieve \$200 million performance Improvement run-rate by year-end 2004	<ul style="list-style-type: none">▪ Achieved
Improve credit quality	<ul style="list-style-type: none">▪ Rating agency upgrades – AES, IPL (USA), Chigen (China), EDC (Venezuela), and Eletropaulo (Brazil)
Restructure and focused growth programs	<ul style="list-style-type: none">▪ Targeted and disciplined approach to quality portfolio growth



The Global Power Company

Strong Free Cash Flow and Improving Credit Quality

Contains Forward Looking Statements

2005E

(\$ Millions)

Subsidiary Net Cash From Operating Activities*	\$2,550-\$2,650
Less: Corporate Interest Expense and Overhead**	(\$650)
Net Cash From Operating Activities	\$1,900-\$2,000
Less: Maintenance Capital Expenditures	(\$700)
Free Cash Flow*	\$1,200-\$1,300

Free Cash Flow Creates AES Shareholder Value Through

Repayment of subsidiary and corporate debt

Growth investments

Positive actions and outlook on AES and subsidiary debt by rating agencies

* Non-GAAP measure.

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

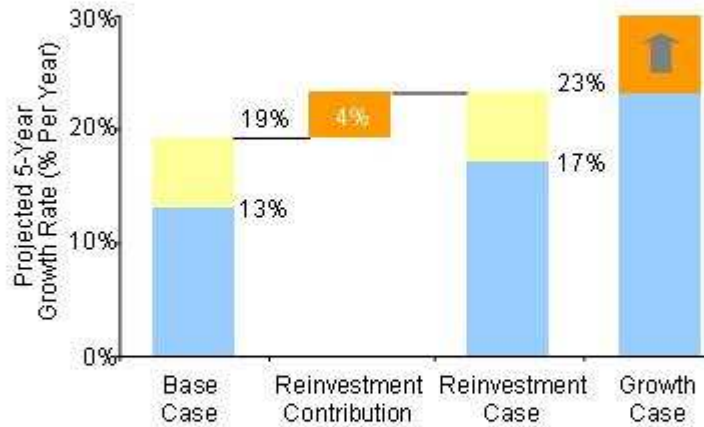
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Double-Digit EPS Growth Outlook

Contains Forward Looking Statements

Projected EPS Growth Rate 2004-2008*



Base Case

Organic growth, deleveraging and performance improvements

Reinvestment Case

New investments using internally generated funds after achieving BB credit ratios

Growth Case

Additional new investments with external financing

* Growth in diluted EPS from continuing operations from 2003 base of \$0.56 per share. See appendix for further information on assumptions.

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Successful 2003-2004 Growth Program

Completed 8 projects in 7 countries

- Over 2,100 MW new capacity online (90%+ contract generation)
- \$640 million annual incremental revenue

Project	MW	Fuel	Location
Ras Laffan	756	Gas	Qatar
Barka	427	Gas	Oman
Huntington Beach 3/4	225	Gas	USA
Kelanitissa	168	Diesel	Sri Lanka
Esti	120	Hydro	Panama
Andres	304	Gas	Dom. Republic
Bayano	24	Hydro	Panama
Limbe	85	Thermal	Cameroon



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Two Core Business Units

**2004 Revenue
\$9.5 Billion**



**2004 Income Before Tax, Minority Interest and Corporate Costs
\$1.6 Billion****



Utilities*

75% Revenue From IPL (US), Eletropaulo (Brazil), EDC (Venezuela)
25% Revenue From 14 Small Utilities

Generation*

78% Revenue Long-Term Contracts
22% Revenue Short-Term Contracts

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

** Non-GAAP financial measure. GAAP income before tax and minority interest of \$884 million plus corporate costs of \$695 million

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Generation Business Drivers

Contains Forward Looking Statements

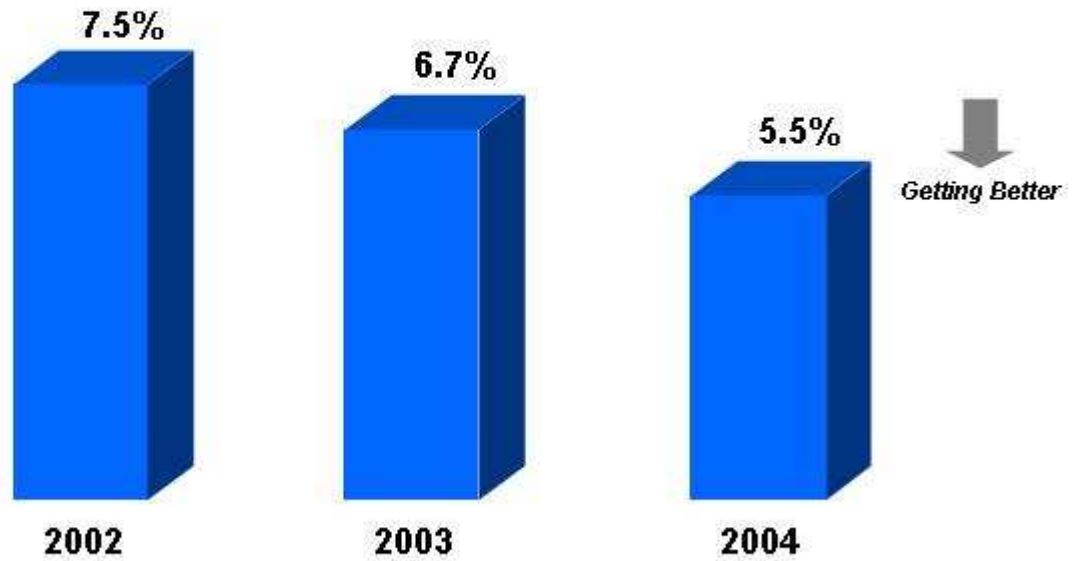
Characteristics	Business Drivers
Sales to local utilities or wholesale customers under long-term contracts (contract generation)	<ul style="list-style-type: none"> ▪ Stable cash flows ▪ Variable margins (revenue less fuel cost) are largely hedged ▪ High non-recourse leverage possible based on project credit quality
Sales to local utilities or wholesale customers under spot/short-term contracts (competitive supply)	<ul style="list-style-type: none"> ▪ Higher return potential from managing demand and fuel cost risks ▪ Sales and cash flow variability ▪ Largest portfolio component is low-cost New York coal fleet
Performance improvement opportunities	<ul style="list-style-type: none"> ▪ Higher reliability ▪ Non-fuel O&M ▪ Fuel and efficiency optimization
Growth opportunities	<ul style="list-style-type: none"> ▪ Leverage existing positions ▪ Greenfield opportunities ▪ M&A/Privatization

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The Global Power Company

Reducing Random Events Improves Reliability



AES Generation Fleet - EFOR* (Year End Average)

* Equivalent Forced Outage Rate

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Utilities Business Drivers

Contains Forward Looking Statements

Characteristics	Business Drivers
Sales to individuals, businesses, and governments	<ul style="list-style-type: none">▪ Franchised positions▪ Regulated prices▪ Demand reflects local economy▪ Transportation and distribution only or integrated utilities with generation▪ 17 utilities in 9 countries
Attractive opportunities in emerging markets	<ul style="list-style-type: none">▪ Potential for rapid revenue growth▪ Cost rationalization▪ Platform expansion
Performance improvement opportunities	<ul style="list-style-type: none">▪ Reduced commercial losses▪ Collection improvement▪ Non-fuel O&M▪ Improving quality of service
Growth opportunities	<ul style="list-style-type: none">▪ Organic growth▪ M&A/privatization

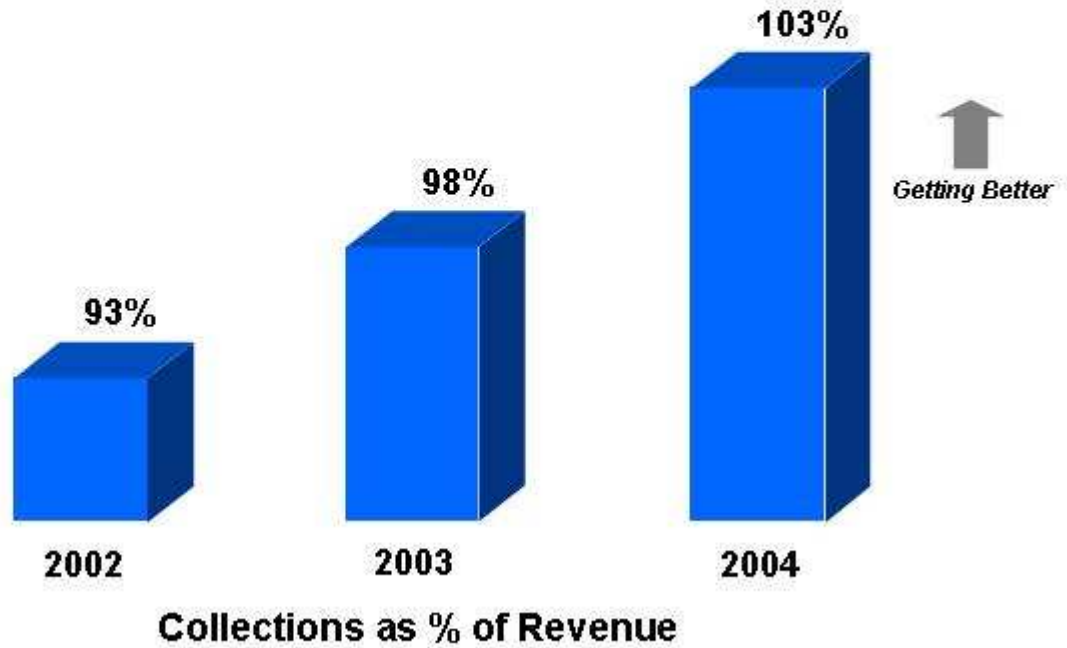
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Improving Collections at EDC (Venezuela)

Customer Data Analysis Process Improving Collections



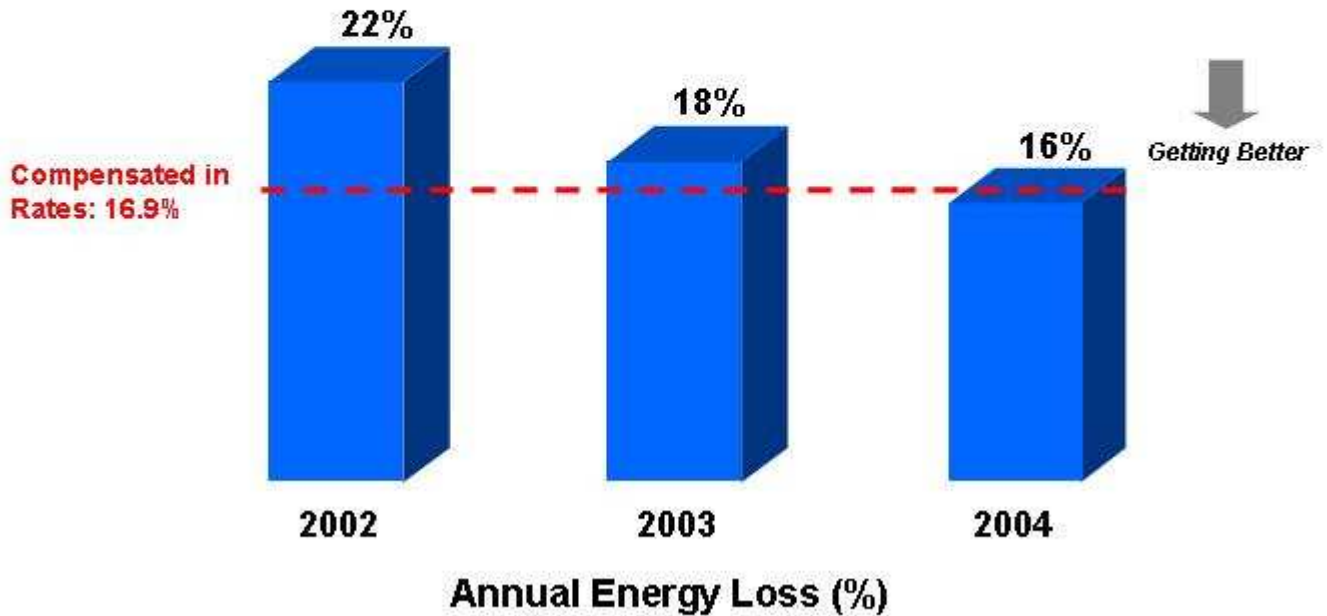
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Reducing Losses at Kievoblenergo (Ukraine)

Implementing Systematic Approach to Energy Loss Reduction



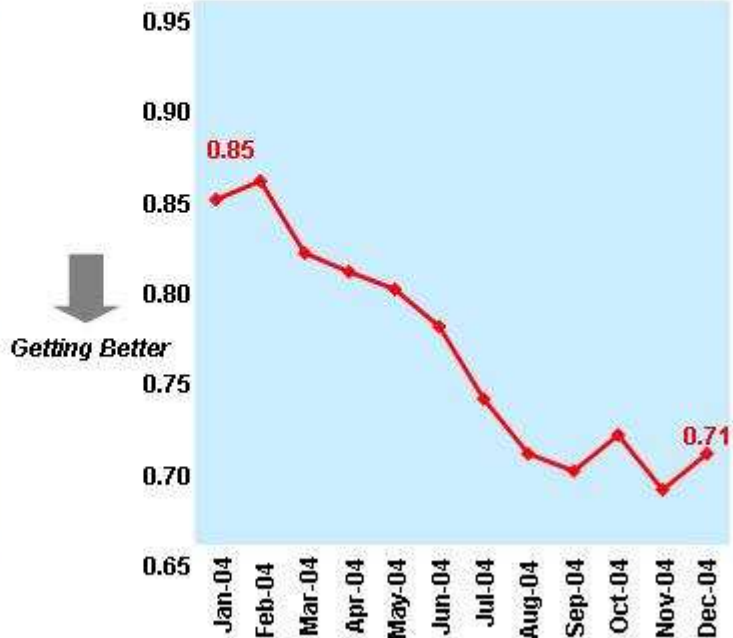


Improving Quality of Service at IPL (USA)

**System Average Interruption Duration (SAIDI)
(LTM Rolling Average)**



**System Average Interruption Frequency (SAIFI)
(LTM Rolling Average)**



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Contains Forward Looking Statements

Source	Drivers
Global expertise	<ul style="list-style-type: none"> ▪ Network of AES energy professionals ▪ Knowledge of local markets, banks, competitors, customers, etc. ▪ Knowledge of risks, mitigation tools, etc. ▪ Credibility
Leveraging critical presence: relationships, assets, contracts in local markets	<ul style="list-style-type: none"> ▪ Local market relationships ▪ Access to proprietary deal flow ▪ Valuation/risk insights into local markets
Operational skills in developing markets	<ul style="list-style-type: none"> ▪ Benchmarking and transfer of knowledge across the portfolio
Complex transactional skills	<ul style="list-style-type: none"> ▪ AES leadership experience ▪ Restructuring experience (e.g. Brazil)
Greenfield development experience	<ul style="list-style-type: none"> ▪ Historical skill/success
Scale	<ul style="list-style-type: none"> ▪ Overhead cost amortization ▪ Transaction flow ▪ Procurement

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Growth Focus – Near and Medium Term

Contains Forward Looking Statements

Platform Expansion



- California
- El Salvador
- Kazakhstan

Greenfield



- Bulgaria
- LNG in Bahamas
- Russia, India, Southeast Asia, Middle East
- Wind in US and Europe

Privatization



- Eastern Europe
- Turkey
- Russia

Acquisitions



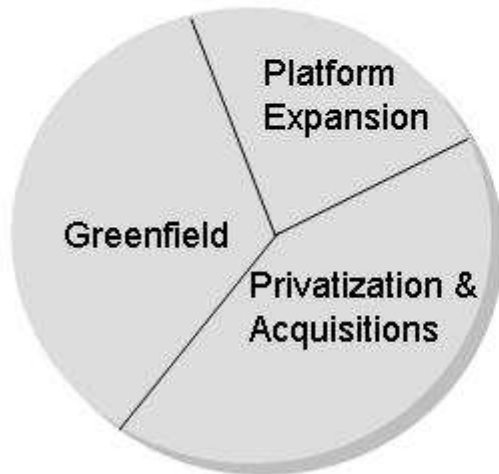
- Rebalance geographic portfolio



Growth Focus – Longer Term

Contains Forward Looking Statements

Continue to maintain robust pipeline of quality projects



- Expansion in markets with growing need for power (e.g. China, India and Russia)
- Wind generation outside US and Europe
- Continued expansion of existing platforms
- Explore power related infrastructure projects



The Global Power Company

Why Invest in AES?

Contains Forward Looking Statements

- Diversified portfolio
- Above average earnings growth outlook
- Strong free cash flow
- Financial discipline
- Improving credit quality
- Long-term growth potential
- Incentives aligned with shareholders





The Global Power Company

Appendix – Reconciliation of Adjusted Earnings Per Share

(\$ Per Share)

	<u>2004</u>	<u>2003</u>
Adjusted Earnings Per Share*	\$0.73	\$0.56
FAS 133 Mark-to-Market Gains/(Losses)**	(0.06)	(0.07)
Currency Transaction Gains/(Losses)	(0.02)	0.19
Net Asset Gains/(Losses and Impairments)	(0.05)	(0.24)
Debt Retirement Gains/(Losses)	(0.03)	0.12
Diluted EPS from Continuing Operations	<u>\$0.57</u>	<u>\$0.56</u>

* 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 reflects 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. Certain reclassifications have been made to prior-period amounts to conform to the 2004 presentation.

** The year ended December 31, 2004 includes \$(0.03) related to Chile debt restructuring costs included in interest expense in the first quarter of 2004.



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.



Appendix –Return on Invested Capital

Net Operating Profit After Tax*	<u>2004</u>	<u>2003</u>
IBT&MI	\$884	\$646
Add: Interest Expense	1,910	1,986
Less: Income Tax Expense	249	204
Less: Tax Benefit on Interest Expense	538	627
Net Operating Profit After Tax*	<u>\$2,007</u>	<u>\$1,801</u>
Return on Invested Capital*	9.6%	8.9%

Effective Tax Rate	28%	32%	
	<u>December</u>	<u>December</u>	<u>December</u>
Invested Capital:	<u>2004</u>	<u>2003</u>	<u>2002</u>
Total Debt	\$18,583	\$19,638	\$20,102
Minority Interest	1,605	1,029	669
Shareholders Equity	1,645	545	(380)
Debt Service Reserves	(737)	(617)	(508)
Total Capital*	<u>\$21,096</u>	<u>\$20,595</u>	<u>\$19,883</u>
Average Capital*	<u>\$20,846</u>	<u>\$20,239</u>	

- * Non-GAAP financial measure – reconciled above.
- Return on Invested Capital is defined as Net Operating Profit After Tax divided by Average Capital.
- Net Operating Profit After Tax 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.
- Total Capital is defined as Total Debt plus Minority Interest plus Shareholders Equity less Debt Service Reserves.
- Average Capital is defined as the average of beginning and ending capital.

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AES Corporation

April 5-6, 2005

Barry Sharp
Executive Vice President and
Chief Financial Officer

[LOGO]

[GRAPHIC]

www.aes.com

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[GRAPHIC]

- Operations in 27 countries on 5 continents
- Capacity to serve 100 million people
- \$9.5 billion in revenues
- \$30 billion in assets

- Excellence in execution
 - Continued strong financial performance
 - Above market EPS growth
 - Strong operating model
 - Performance improvements

- Sustained value creation
 - AES distinctiveness
 - Well-defined growth strategies and approach

Contains Forward Looking Statements

Revenue (\$Billions)
2003 – 2008E CAGR 6%

[CHART]

Gross Margin as % of Sales
2003 – 2008E Improvement to 31%

[CHART]

Gross Margin (\$Billions)
2003 – 2008E CAGR 8%

[CHART]

Return on Invested Capital
2008E Improvement to 11%

[CHART]

2003-2004 Goals

Results

Complete business restructuring	<ul style="list-style-type: none"> Achieved Completed \$6 billion debt restructuring/re-profiling/refinancing transactions
Reduce parent debt by \$2 billion	<ul style="list-style-type: none"> Achieved
Achieve \$200 million performance Improvement run-rate by year-end 2004	<ul style="list-style-type: none"> Achieved
Improve credit quality	<ul style="list-style-type: none"> Rating agency upgrades – AES, IPL (USA), Chigen (China), EDC (Venezuela), and Eletropaulo (Brazil)
Restructure and focused growth programs	<ul style="list-style-type: none"> Targeted and disciplined approach to quality portfolio growth

**Strong Free Cash Flow and
Improving Credit Quality**

(\$ Millions)

Contains Forward Looking Statements

	<u>2005E</u>
Subsidiary Net Cash From Operating Activities*	\$2,550-\$2,650
Less: Corporate Interest Expense and Overhead**	\$(650)
Net Cash From Operating Activities	\$1,900-\$2,000
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Free Cash Flow*	\$1,200-\$1,300

Free Cash Flow Creates AES Shareholder Value Through
Repayment of subsidiary and corporate debt
Growth investments
Positive actions and outlook on AES and subsidiary debt by rating agencies

* Non-GAAP measure.

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

Projected EPS Growth Rate 2004-2008*

[CHART]

Base Case

Organic growth, deleveraging and performance improvements

Reinvestment Case

New investments using internally generated funds after achieving BB credit ratios

Growth Case

Additional new investments with external financing

* Growth in diluted EPS from continuing operations from 2003 base of \$0.56 per share. See appendix for further information on assumptions.

Completed 8 projects in 7 countries

- Over 2,100 MW new capacity online (90%+ contract generation)
- \$640 million annual incremental revenue

Project	MW	Fuel	Location
Ras Laffan	756	Gas	Qatar
Barka	427	Gas	Oman
Huntington Beach 3/4	225	Gas	USA
Kelanitissa	168	Diesel	Sri Lanka
Esti	120	Hydro	Panama
Andres	304	Gas	Dom. Republic
Bayano	24	Hydro	Panama
Limbe	85	Thermal	Cameroon

2004 Revenue
\$9.5 Billion

[CHART]

**2004 Income Before Tax, Minority
Interest and Corporate Costs**
\$1.6 Billion**

[CHART]

• **Utilities***

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

25% Revenue From 14 Small Utilities

• **Generation***

78% Revenue Long-Term Contracts

22% Revenue Short-Term Contracts

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

** Non-GAAP financial measure. GAAP income before tax and minority interest of \$884 million plus corporate costs of \$695 million

Characteristics	Business Drivers
Sales to local utilities or wholesale customers under long-term contracts (contract generation)	<ul style="list-style-type: none"> • Stable cash flows • Variable margins (revenue less fuel cost) are largely hedged • High non-recourse leverage possible based on project credit quality
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Performance improvement opportunities	<ul style="list-style-type: none"> • Higher reliability • Non-fuel O&M • Fuel and efficiency optimization
Growth opportunities	<ul style="list-style-type: none"> • Leverage existing positions • Greenfield opportunities • M&A/Privatization

[CHART]

AES Generation Fleet - EFOR* (Year End Average)

* Equivalent Forced Outage Rate

Characteristics	Business Drivers
Sales to individuals, businesses, and governments	<ul style="list-style-type: none"> • Franchised positions • Regulated prices • Demand reflects local economy • Transportation and distribution only or integrated utilities with generation • 17 utilities in 9 countries
Attractive opportunities in emerging markets	<ul style="list-style-type: none"> • Potential for rapid revenue growth • Cost rationalization • Platform expansion
Performance improvement opportunities	<ul style="list-style-type: none"> • Reduced commercial losses • Collection improvement • Non -fuel O&M • Improving quality of service
Growth opportunities	<ul style="list-style-type: none"> • Organic growth • M&A/privatization

Customer Data Analysis Process Improving Collections

[CHART]

Collections as % of Revenue

Implementing Systematic Approach to Energy Loss Reduction

[CHART]

Annual Energy Loss (%)

**System Average Interruption Duration (SAIDI)
(LTM Rolling Average)**

[CHART]

**System Average Interruption Frequency (SAIFI)
(LTM Rolling Average)**

[CHART]

Source	Drivers
Global expertise	<ul style="list-style-type: none"> • Network of AES energy professionals • Knowledge of local markets, banks, competitors, customers, etc. • Knowledge of risks, mitigation tools, etc • Credibility
Leveraging critical presence: relationships, assets, contracts in local markets	<ul style="list-style-type: none"> • Local market relationships • Access to proprietary deal flow • Valuation/risk insights into local markets
Operational skills in developing markets	<ul style="list-style-type: none"> • Benchmarking and transfer of knowledge across the portfolio
Complex transactional skills	<ul style="list-style-type: none"> • AES leadership experience • Restructuring experience (e.g. Brazil)
Greenfield development experience	<ul style="list-style-type: none"> • Historical skill/success
Scale	<ul style="list-style-type: none"> • Overhead cost amortization • Transaction flow • Procurement

Platform Expansion

- California
- El Salvador
- Kazakhstan

Greenfield

- Bulgaria
- LNG in Bahamas
- Russia, India, Southeast Asia, Middle East
- Wind in US and Europe

Privatization

- Eastern Europe
- Turkey
- Russia

Acquisitions

- Rebalance geographic portfolio

Continue to maintain robust pipeline of quality projects

[CHART]

- Expansion in markets with growing need for power (e.g. China, India and Russia)
- Wind generation outside US and Europe
- Continued expansion of existing platforms
- Explore power related infrastructure projects

- Diversified portfolio
- Above average earnings growth outlook
- Strong free cash flow
- Financial discipline
- Improving credit quality
- Long-term growth potential
- Incentives aligned with shareholders

[GRAPHIC]

(\$ Per Share)

	2004	2003
Adjusted Earnings Per Share*	\$ 0.73	\$ 0.56
FAS 133 Mark-to-Market Gains/(Losses)**	(0.06)	(0.07)
Currency Transaction Gains/(Losses)	(0.02)	0.19
Net Asset Gains/(Losses and Impairments)	(0.05)	(0.24)
Debt Retirement Gains/(Losses)	(0.03)	0.12
Diluted EPS from Continuing Operations	\$ 0.57	\$ 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 reflects 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. Certain reclassifications have been made to prior-period amounts to conform to the 2004 presentation.

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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.

	2004	2003
Net Operating Profit After Tax*		
IBT&MI	\$ 884	\$ 646
Add: Interest Expense	1,910	1,986
Less: Income Tax Expense	249	204
Less: Tax Benefit on Interest Expense	538	627
Net Operating Profit After Tax*	<u>\$ 2,007</u>	<u>\$ 1,801</u>
Return on Invested Capital*	9.6%	8.9%
Effective Tax Rate	28%	32%

	December 2004	December 2003	December 2002
Invested Capital:			
Total Debt	\$ 18,583	\$ 19,638	\$ 20,102
Minority Interest	1,605	1,029	669
Shareholders Equity	1,645	545	(380)
Debt Service Reserves	(737)	(617)	(508)
Total Capital*	<u>\$ 21,096</u>	<u>\$ 20,595</u>	<u>\$ 19,883</u>
Average Capital*	<u>\$ 20,846</u>	<u>\$ 20,239</u>	

* Non-GAAP financial measure – reconciled above.

- Return on Invested Capital is defined as Net Operating Profit After Tax divided by Average Capital.
- Net Operating Profit After Tax 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.
- Total Capital is defined as Total Debt plus Minority Interest plus Shareholders Equity less Debt Service Reserves.
- Average Capital is defined as the average of beginning and ending capital.