



PEOPLE. PLACES. PURPOSE.





Energy. It's essential to human aspirations—to progress and comfort. It's also part of who we are at AES and how we work.

AES builds, acquires, owns and operates power facilities worldwide. In providing power to local communities and nations around the world, our people are energetic, passionate and relentlessly innovative. Because we know that what we do—the impact we generate—raises the quality of life both at home and at work for people all around us.

From Cartagena to Caracas, from Chengdu to Ust-Kamenogorsk, from Springfield to Santiago, our people bring benefits that go well beyond electricity. It's not just power, but empowerment. Personal, social and economic empowerment.

One of the largest global power companies, AES helps generate broad economic impact. Where we operate, commerce grows. People connect. Specific—and very human—benefits proliferate. A community in Panama gets fresh drinking water. A central African village gets electricity for the first time. With investments in clean coal technology, plants in upstate New York can buy local coal.

Each story replicates itself. Because when AES innovates, local solutions become global knowledge. And our world-class expertise continues to grow.

Energizing the coast with coal by wire

China—The energy demands of coastal Chinese industrial centers like Jiangsu Province and Shanghai keep growing. To help feed this rapid economic expansion with affordable power, AES joined with Chinese partners in the power sector to build the first “coal by wire” power plant in China, the Yangcheng power plant located in the coal-rich Shanxi Province.

Located within 30 kilometers of two coal suppliers, the plant provides eastern China with 1,982 net megawatts (MW) of critically needed power over a 755 kilometer, 550 kilovolt transmission line. The Yangcheng power plant’s proximity to coal supplies delivers numerous advantages: it eliminates west-to-east transportation costs, logistical bottlenecks and risks associated with long distance transportation of fuel. This translates into more affordable electricity for customers. The province now relies on a constant, stable supply of AES power.

Bringing essentials of life to Qatar

Qatar—Fresh water. Nothing is more precious to those who live where it’s scarce.

Reliable power. Local communities and commerce need it to grow.

Now AES Ras Laffan is Qatar’s first independent source for both. Working closely with the government and local and regional business leaders, our people brought the joint venture quickly to fruition. The need was great, as Qatar’s growth depends on reliable electricity and water. The state-of-the-art combined power and desalination plant will help fuel the country’s rapidly expanding economy, and represents the cornerstone of private sector participation in the country’s infrastructure development. The new gas-fired power plant is expected to meet 30 percent of Qatar’s peak power demand. The desalination plant will increase the country’s potable water supply by approximately 40 percent. That’s the kind of local impact AES delivers to people all over the world.

Our impact on societies is also profound. Social responsibility and environmental stewardship have always been hallmarks of AES.

Deeply committed to our local markets, we live where we work. Local knowledge and cultural fluency become a given. We don't simply operate in our communities; we belong in them, we believe in them, and we strive to help them improve, day in and day out.

Leading with clean energy

AES has often taken the lead when it comes to the environment, whether in setting industry firsts or in having the foresight to install cleaner technology before it's required.

In the early 1990s, AES was one of the first companies to voluntarily take steps to help counter the effects of carbon dioxide emissions on global warming. Our people started programs to offset carbon dioxide emissions from coal-fired plants by sponsoring the planting of 50 million trees in Guatemala and by preserving thousands of acres of forestland in South America.

AES also helped pioneer coal-fired circulating fluidized bed (CFB) technology in the US in the early 1990s, providing a cleaner way to burn coal than conventional means. Today, we operate five CFB plants with outstanding sulfur dioxide and nitrous oxide emissions performance compared to the US average. AES Puerto Rico has one of the lowest sulfur dioxide emissions of any coal-fired plant in the US.

Lighting the way to reliable power

Cameroon—AES SONEL, Cameroon's only private energy provider, has launched a long-term investment plan to improve and expand the electricity generation, transmission and distribution system in this African nation. Its most significant project: the recently commissioned Limbé thermal power plant. The 85 MW facility decreases the nation's traditional dependence on hydroelectric power, increasing available generating capacity in the dry season by approximately 20 percent. Cameroon's growing economy now enjoys a whole new level of service reliability—and more people across the country can reap the benefits of this vital source of electricity.

Truly global, AES provides power to people in more countries around the world than any other company. And we're committed to these markets for the long term.

Our strategy begins here: we build businesses, not projects. This takes developing what we like to call "critical presence" in our chosen markets—sustaining key relationships and playing a strong and beneficial role in these communities. Wherever we work, our people work hard to gain and keep critical presence. Where we already have it—in places as disparate as Argentina and Indianapolis and Kazakhstan—we strive to expand our platforms. Where we want to create a critical presence, we build it.

This means going where the growth is—including burgeoning markets in Brazil, China and India. It also means striving to build and grow businesses in countries on the verge of transformation. By this we mean countries with enough infrastructure and stability—regulatory, political and economic—to support a coming surge of growth, but still not attracting inordinate competition in the here and now. The common factor in all these efforts? We know how to succeed in these places.

Combining world-class expertise and scale with deep local knowledge, we optimize opportunities for growth.

Harnessing a global force

As demand for electricity continues to rise worldwide, AES will continue to grow with it. AES is already operating in countries where 60 percent of the world's projected energy growth is expected to occur within the next five years. With a vast global footprint, we also bring unique values, skills and experience to compete in today's global energy market. Our people have distinctive expertise transacting and operating in challenging contexts, and continue to succeed in targeted high-potential markets the world over.

A global enterprise, we create lasting local impact. Where we do business, our strong local presence creates a competitive advantage. With disciplined insight and the flexibility to act with speed, we catalyze opportunities to generate value for all of our stakeholders. Leveraging our scale, we sustain a diverse global portfolio and manage it as such. But our essential advantage lies in the people of AES, and the values that we live by every day. We offer the best, all around the world.





AES people are the key to our success. And we are here to succeed.

A vital force, our people love a challenge. As innovators and problem solvers, our people combine business savvy with entrepreneurial spirit. We apply a wealth of earned insight and creative energy to overcome challenges with one goal in mind: to generate value for every stakeholder involved.

We continue to nurture a distinct, aspirational business culture within AES. All of us share a global mindset and clear values as to personal integrity, operational excellence and social responsibility.

Entrepreneurial spirit in action

Hungary—In 2002, AES Hungary faced a challenge. With Hungary joining the European Union, the country faced new environmental standards that threatened to shut down three aging power plants by 2004. It would take ingenuity and funding to rescue these assets. A retrofit program would bring AES Tisza II into compliance. A more radical approach would be needed for transforming AES Borsod and AES Tiszapalkonya.

Learning from AES experience in California, our Hungarian team embraced the idea of converting its plants to biomass. Switching the two facilities from burning low quality brown coal to burning wood and a combination of wood and coal drastically curtailed emissions, allowing AES to trade carbon credits under the Kyoto Protocol. With lower emissions, the plants also earned a reduced environmental tax going forward. Savings from the tax reduction made this environmentally responsible investment feasible.

Thanks to the initiative of our local team, now all three plants are EU compliant. In 2003, 10 percent of the Hungarian open market generation supply and one third of the country's total renewable energy came from the two biomass plants, Tiszapalkonya and Borsod. The conversion of these two plants reduced dust and sulfur dioxide emissions by approximately 90 percent. Carbon dioxide emissions decreased by more than 80 percent.

Our experience runs broad and deep, involving many cultures and demanding environments. We share this knowledge across our enterprise. And the AES Learning Center at the University of Virginia's Darden Graduate School of Business Administration provides our people the opportunity for continued advanced learning.

Solutions travel rapidly through our global network of expertise. Innovations in California benefit the environment in Hungary. Improvements in plant reliability in Kazakhstan provide a blueprint to enhance operations in Argentina. Best practices and world-class insight touch every customer. And that's always good for business.

Tapping renewable energy for future generations

Wind generation is one of the fastest growing sources of electricity worldwide. Global demand is expected to increase by more than 15 percent a year, from 46,000 MW in 2004 to 112,000 MW by 2010.

Recent acquisitions are making AES a significant developer and operator of wind farms in the US. With SeaWest, we'll purchase an established player, which operates over 500 MW of wind facilities in California, Wyoming and Oregon and has 1,800 MW of development sites in 10 states in the western US. AES has also taken an equity interest in US Wind Force, a private company focused on the fast-growing, largely untapped renewable energy market in the eastern US. The company has over 600 MW of wind development sites in various stages of progress.

These moves give AES a platform for growth in the US and other countries in wind power — an increasingly desirable source of renewable electricity around the world and a natural extension of AES's business.

Putting operational excellence to the test

Puerto Rico—When Tropical Storm Jeanne ripped through Puerto Rico in September 2004, the island went completely dark except for one facility. AES Puerto Rico continued to shine brightly, thanks to our dedicated people and their focus on operational excellence. During the onset of the storm, we reduced output by nearly 75 percent after extremely high winds took down a number of transmission lines. With the storm bearing down and continued high winds, demand suddenly decreased to just 10 percent of capacity. Normally, an imbalance of this magnitude would trip the plant and all power would be lost. But, in minutes, our team reduced output to 10 percent, an effort that typically takes about half an hour. At such low levels of consumption, the margin for error is miniscule, yet our people kept the plant running and did so without any safety incidents. Once the grueling storm had passed, our people worked with the local utility to quickly reenergize the entire island.





From the Middle East to the Midwest, from the Eurasian steppes to the pampas, AES generates and delivers power from nearly every kind of fuel source — oil, gas, hydro, coal, biomass and wind — and we do so reliably, productively and cost-effectively.

Heads of state, business leaders and people from every walk of life know they can depend on AES to provide reliable energy while safeguarding the environment. People have come to trust our many businesses to bring the best in customer service.

While decentralized, we run an integrated global enterprise focused on values, operational excellence and generating value for our stakeholders.

Investing in transformational growth

Kazakhstan — Kazakhstan has come far as an independent country and economy. Steadily developing the economic, regulatory and democratic institutions that foster growth, the country pulses on the cusp of a tremendous transformation. Since 2000, Kazakhstan's gross domestic product has grown at an average rate of 10 percent, and the country will continue to need additional electricity supply to sustain such growth. But building critical infrastructure has not been easy. Eight years ago, Kazakhstan's power sector was in a state of distress. Most foreign players in the sector left the country. Not AES. We had faith in our ability to effectively turn around non-performing plants — especially in emerging markets — and in Kazakhstan, we're seeing significant results. During the past eight years, AES Ekibastuz, one of the largest coal-fired plants in the world, has seen a fourfold increase in operational capacity. In addition, our local businesses have increased collection rates to almost 100 percent,

up from 30 percent. We continue to work toward a regulatory environment that will encourage new investments and ultimately increase the country's generation capacity and distribution network. With an operating capacity of more than 3,000 MW, we generate electricity and heat for half a million Kazakhstanis, and supply wholesale power to some of the economy's largest industrial consumers.

The story of AES in Kazakhstan demonstrates our unique skills at understanding the markets, economics, financings and risks often found in emerging markets. We stayed when others left because we have the skills to be successful. And that is why we're prepared to succeed in countries like Kazakhstan, which are putting the right regulatory and legal frameworks in place.

Global markets respond to AES

AES continues to leverage our global platform with the scale and ingenuity to access capital worldwide at attractive prices and terms. The year 2004 saw many such successes around the world. Our people responded creatively to new market conditions and secured financing terms that had been unheard of in some markets, all based on the credit quality of the local business.

Argentina—AES Argentina generation plants Alicura, Central Térmica San Nicolás and the Juramento facilities, with a combined generation capacity of 1,880 MW, successfully launched a public debt offering—the first of its kind in the nation’s power industry since the 2001 economic crisis. In the midst of a severe credit crunch, the offering generated \$12 million to finance working capital needs.

Cameroon—AES SONEL raised \$66 million in long-term project financing from international sources for its recently commissioned Limbé power plant, an 85 MW thermal generation plant. Limbé represents the largest investment in the Cameroonian power sector since 1987.

Chile—AES Gener, a power generator with a total capacity of 2,427 MW among its Chilean plants, has successfully recapitalized, significantly extending debt maturities and reducing its debt by \$250 million, while providing continued strong cash flow.

Colombia—Chivor, Colombia’s third largest hydroelectric generator at 1,000 MW and a subsidiary of AES Gener, raised \$253 million, selling \$170 million in 10-year notes and closing an \$83 million Colombian bank facility.

Nigeria—Ebute, our 306 MW gas-fired power plant which provides approximately eight percent of Nigeria’s power supply, completed a \$120 million financing—the first nonrecourse project finance transaction in the country’s power sector.

United States—AES Shady Point, a 320 MW coal-fired circulating fluidized bed facility located in Oklahoma, has greatly improved its financial flexibility, extending the maturity of an approximately \$136 million loan by more than six years and securing \$7 million in additional credit capacity.

Venezuela—La Electricidad de Caracas, our distribution company with one million customers in Venezuela, raised \$260 million in 10-year notes. This financing represents a return of Venezuelan corporations to long-term markets after a long hiatus.





Strong presence leads to integrated actions

Brazil—Critical presence in Brazil is translating into critical business results. For three years, our Brazilian distribution companies, AES Sul and AES Eletropaulo, have joined together to help mitigate the potential negative effects of a trend sparked by new regulations. These regulations allow large utility customers to move to the free market to obtain power directly from generators or energy traders. Our people worked with industry groups and the government to help limit the impact the new rules could have on established utility companies. AES Sul and AES Eletropaulo worked together to introduce attractive new customer service programs. They also coordinated with AES Brazil's energy marketing company, AES Infoenergy, to offer clients the option of contracting directly with it. The results: a sizeable majority of AES Eletropaulo's and AES Sul's clients who were at risk of moving to the free market during 2004 either renewed their contracts or moved to AES Infoenergy.

Our commitment to the common good

It's an integral part of the AES culture: we do all we can to help improve the quality of life around us. For AES, that takes on many forms, from broadening educational horizons to bolstering self-sufficiency to stewarding the environment.

In Chile, for example, Programa Amigos de la Ciencia (Friends of Science), the science education program of AES Gener, has helped nearly 50,000 children from low-income backgrounds hone their science skills and open themselves to new job opportunities. The Secretary-General of the United Nations recently cited the program as a model for how a country can improve its scientific and technological capabilities.

Where one project helps schoolchildren, another improves vocational skills for adults while helping to heal the environment. In Brazil, AES Eletropaulo plays a crucial role in the State of São Paulo's Projeto

Pomar (Orchard Project), created to restore the Pinheiros River and, at the same time, improve the livelihood of its local citizenry. The program provides jobs and professional qualifications to participants who help clean the riverbed and plant more than 220 varieties of seedlings along the banks of the river. AES Eletropaulo helps fund the program and provides 70 percent of the land used for the project.

People need education and skills, and they also need room to breathe. In Indianapolis, where we own and operate the local power utility, AES donated \$1.1 million for the acquisition of much needed recreational green space—the largest single gift in the history of the Indianapolis Parks Foundation.

These are just a few examples of our commitment to the local community. At AES, we have always believed that strong communities make for strong economies, and that our success in every locality is intrinsically linked to the well-being of our neighbors.

With a passion to accomplish great things, our people conduct themselves with integrity, fairness and a deep commitment to social responsibility. Our global business operates with transparency and with clear goals in mind.

We see AES's success in very human terms. In locales around the world, AES energizes lives and vitalizes communities, while strengthening commerce and improving economies so that people can thrive. Our people embody values that are all about personal, social and economic empowerment. And because all of our people are integral players in making this happen, they have fun in the process and in seeing the positive impact we have.

In other words, our business is rather simple at the core: AES people deliver the power to succeed. That's how AES, our customers and all our stakeholders prosper—all around the world.



90% of our people live and work outside the US.



AES people typically have multiple assignments over careers that span continents—actively translating local experiences into world class intellectual capital.



44,000 MW installed and under construction.

AES is the largest global power company, based on MW owned and controlled, number of countries served and percentage of capacity beyond home country.



The AES Learning Center at the University of Virginia's Darden Graduate School of Business Administration offers our people an array of educational opportunities on management and leadership practices.



Fortune includes AES among its annual listing of Most Admired Companies.



With operations in 27 countries on 5 continents, AES has the capacity to serve 100 million people around the world.



We have deleveraged the parent company significantly over the past 2 years, paying down more than \$1.6 billion in debt.



AES has market presence where 60% of the world's projected energy growth is expected to occur within the next 5 years.



31 AES businesses worldwide have gone more than 5 years without a lost time accident; 7 have gone more than 10 years.





CAPACITY BY FUEL MIX

| | |
|---------------|-----|
| Coal | 40% |
| Gas | 37% |
| Hydro & Other | 18% |
| Oil | 5% |

BREAKDOWN OF CAPACITY (GROSS MW)

| | Gross MW | Under Construction | Total |
|-----------------------------|---------------|--------------------|---------------|
| Contract Generation | 22,747 | 1,200 | 23,947 |
| Competitive Supply | 13,134 | 0 | 13,134 |
| Large Utilities | 5,868 | 0 | 5,868 |
| Growth Distribution | 935 | 0 | 935 |
| Total Gross Capacity | 42,684 | 1,200 | 43,884 |



AES OPERATIONS, INCLUDING:
Distribution Businesses
Generation Plants
Integrated Utilities
Plants Under Construction

AFRICA
Cameroon
Nigeria

ASIA
China
India
Kazakhstan
Oman
Pakistan
Qatar
Sri Lanka



CHAIRMAN'S LETTER TO AES SHAREHOLDERS

In our 2003 report, Paul Hanrahan and I were pleased to say that AES had completed its turnaround. 2004 has been another successful year. AES has strengthened its basic foundation by improving the performance of its businesses throughout the world. We have also developed and refined our strategy for renewed growth, and turned toward its execution.

There are, of course, many measures of progress. Free cash flow is up. Earnings are up. The ratio of enterprise value to debt is up. Virtually all the conventional measures are headed in the right direction. But there are two that seem especially relevant for shareholders.

The first is long-term stock price appreciation relative to the Standard & Poor's 500 Index. In 2003 and 2004, the S&P 500 rose by a total of 42 percent. In the same period, the AES share price increased by 353 percent. AES is not managed with an eye toward short-term stock movements. But I believe that over the medium and long term, you should demand that AES outperform the S&P 500. We mean to meet that test. So I am pleased to note that the market not only recognized the AES turnaround in 2003; it has also begun to recognize AES's longer-term potential to create value and increase earnings.

A second relevant measure is entirely different. It concerns the independence and integrity of corporate governance. ISS, one of the leading organizations that assess the governance of major corporations, rates AES in the top 3 percent of S&P 500 companies. It is arguable whether a definitive causal connection has been demonstrated between governance measures and stock price performance. But that is irrelevant. We unquestionably owe you both superior stock performance and a solid basis for trust.

When our sector was in difficulty in the aftermath of the Enron debacle, we made a few key strategic decisions. One of these was to remain global. Many of our competitors chose to concentrate only on their home region. Some went out of business. We are now in the fortunate position of being able to capitalize on our scale and reach. We have carefully selected countries and regions throughout the world where we mean to develop not just individual projects, but continuing businesses that give us "critical presence" in areas of promising growth and favorable politico-economic trends. The combination of global reach and critical presence allows us to take full advantage of opportunities for expansion on a well-informed basis—while also benefiting from our improved capacities for global sourcing, technology transfer, risk management, geographic diversification and portfolio balancing.

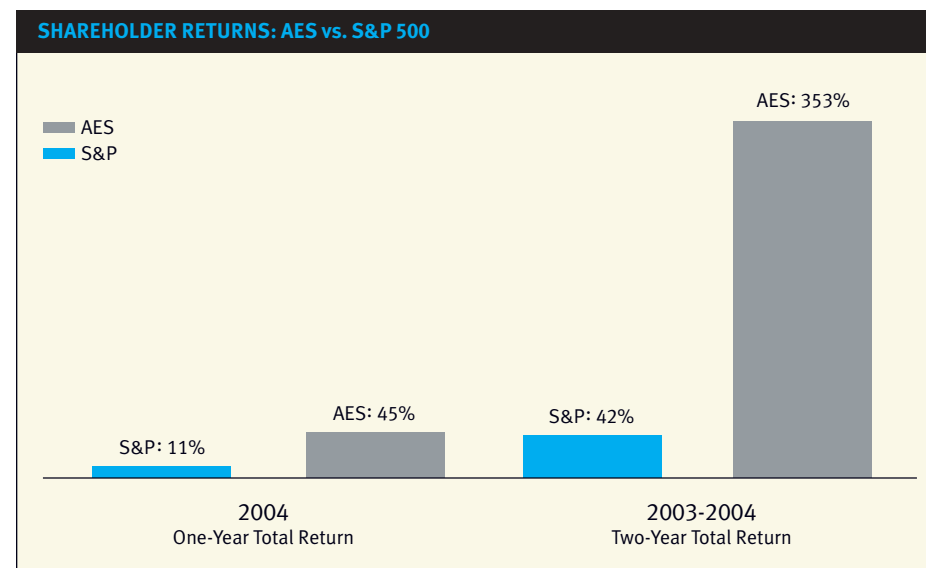
AES has had to manage a challenging transition: adding new elements of centralized coordination to a decentralized global enterprise—without losing the traditional AES virtues of entrepreneurial creativity, social responsibility and respect for people throughout the world. Thanks to the quality and commitment of AES people—led by an outstanding executive team—I believe that challenge is being well met. I trust this may prove to be an additional source of shareholder satisfaction.

Sincerely,



Richard Darman
Chairman of the Board

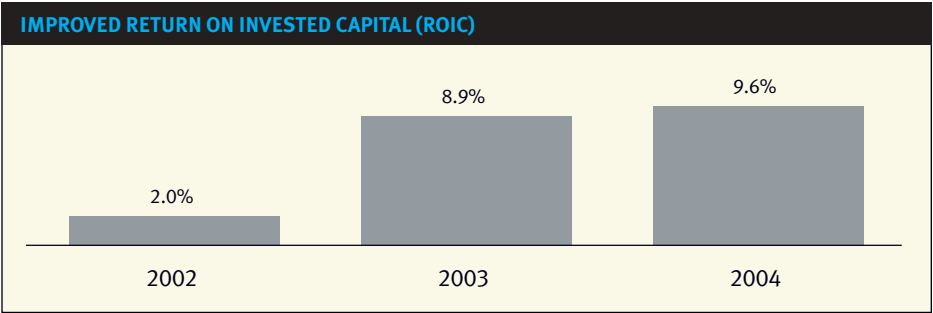
March 29, 2005



CEO'S LETTER TO AES SHAREHOLDERS

People, places and purpose. These three themes guided us and helped AES achieve significant milestones in 2004. By the close of the year, we generated record annual revenues and delivered on our key financial commitments for the second year in a row. The stock market recognized our strong performance, as our stock significantly outperformed the broader market.

We continued to focus on running our businesses better. Two key financial measures of improvement on this front are increasing gross margin and return on capital. We showed encouraging results on both fronts. Gross margin increased 14 percent in 2004 and return on invested capital increased by 70 basis points this year to 9.6 percent. AES has solid fundamentals, with improving credit quality and a five-year outlook of double-digit EPS growth. We continue to strengthen our balance sheet and are gaining additional financial flexibility. In the past year alone, we generated more than \$1 billion in free cash flow and reduced total net debt by \$1.1 billion. This was driven by the efforts of the talented people in AES businesses around the world.



PEOPLE

In fact, it all starts with people. Attracting and keeping the best in the industry. Giving them the training and opportunities to develop and grow. Moving our best to new and challenging positions so they can make major contributions where they're needed most. We achieved much success during the past year because our people committed to making each of our businesses better and to making AES, as a whole, a stronger company, able to capitalize on attractive opportunities in countries of interest.

We are finding that one of the greatest benefits of being a global company is the ability to transfer innovations among our businesses around the world. For example, new ways of preventing outages developed in our European plants easily can be applied to our facilities in Brazil and China. The strong network and constant communication among AES people across the globe enable us to drive performance to new levels. Our generation businesses have made significant improvements in reliability by reducing the number of unscheduled shutdowns. We've shown good performance here, reducing unplanned outage rates nearly 25 percent over the past two years. In our electric distribution companies, we increased the amount of energy recovered through our commercial loss reduction programs by 30 percent, recovering more than 1,700,000 MW hours over the last year. Overall, we are not yet at the performance levels we want, but we have made big steps and are moving in the right direction. We have real momentum coming into 2005 that will help us reach our goal of achieving top decile performance.

Our challenges in the immediate future remain strengthening our balance sheet and improving performance even further, while finding the right growth opportunities. With our world-class



operations, global footprint and strength in key markets, we are well positioned to take advantage of growing global demand for electricity.

Our people have been able to capitalize on attractive opportunities for growth. In 2004, we brought three new power plants on line, adding approximately 500 MW of additional capacity to our fleet in three countries. We also entered a new and important line of business for AES: wind energy generation. Through our planned SeaWest acquisition and US Wind Force investment, we gain operational control of 500 MW of wind farm generating capacity and ownership in another 2,400 MW of projects in development. Wind energy is a natural fit for us. Our core development skills, matched with our extensive geographic footprint, provide exciting possibilities for growth over the next decade.

PLACES

A key part of our strategy is to leverage our presence of talented AES people and good businesses in 27 countries. We're already operating in countries where 60 percent of the growth in demand for electricity is expected worldwide over the next five years. And in many of these places, our significant local presence gives us a competitive advantage in identifying and managing attractive business opportunities. We'll continue to build our presence in select existing and new locations where we can achieve a "critical presence" around the world.

PURPOSE

Our business is essential: we generate and provide power. But the impact we deliver goes far beyond that. We provide the energy and associated infrastructure needed for the continued economic development and improved quality of life for the communities in which we operate. And we believe that we have certain responsibilities that are associated with meeting these needs.

First, we have a responsibility to our customers to meet their expectations for reliable and affordable electricity. Second, we have a responsibility to our communities to be a partner in economic development, and to do so in environmentally sustainable ways. Third, we have a responsibility to our owners to act with transparency and to provide superior growth in the value of our company over the long term. And finally, we have responsibilities to our fellow AES teammates to act with integrity and fairness, to treat others with respect, to work safely and to provide a work environment that allows people to have fun through work—to get the fulfillment that comes from working hard as a team and seeing our contributions result in successes that make a difference.

That is what AES is really all about. People, committed to being the best. People, meeting the energy needs of communities across the globe. People, fostering sustainable economic development and providing superior returns to our owners. We work hard so that the people we serve can thrive, and so that AES remains a company you can be proud to own.

We thank you for your trust and continued support.

Sincerely,



Paul Hanrahan
President and Chief Executive Officer
March 29, 2005



QUARTERLY COMPOSITE AES STOCK PRICE INFORMATION

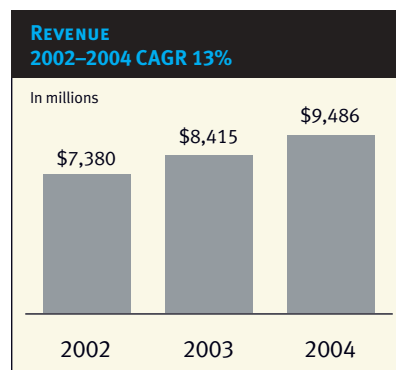
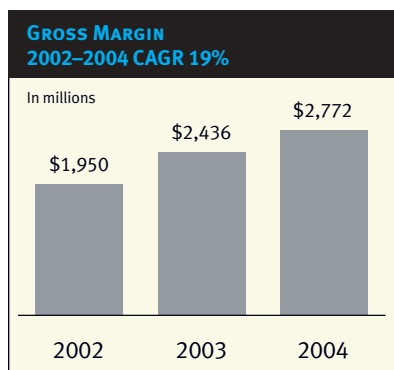
| 2003 | HIGH | LOW | CLOSE | 2004 | HIGH | LOW | CLOSE |
|----------------|---------|---------|---------|----------------|----------|----------|----------|
| First Quarter | \$ 4.04 | \$ 2.72 | \$ 3.62 | First Quarter | \$ 10.71 | \$ 8.02 | \$ 8.53 |
| Second Quarter | \$ 8.37 | \$ 3.75 | \$ 6.35 | Second Quarter | \$ 10.15 | \$ 7.69 | \$ 9.93 |
| Third Quarter | \$ 7.70 | \$ 5.91 | \$ 7.42 | Third Quarter | \$ 10.65 | \$ 9.20 | \$ 9.99 |
| Fourth Quarter | \$ 9.50 | \$ 7.57 | \$ 9.44 | Fourth Quarter | \$ 13.67 | \$ 10.15 | \$ 13.67 |

SELECTED FIVE-YEAR FINANCIAL DATA

(Millions of dollars, except percentage data and ratios, for the calendar year)

| | Year Ended December 31 | | | | |
|---|------------------------|----------|------------|-----------|----------|
| | 2000 | 2001 | 2002 | 2003 | 2004 |
| Summary of Operations | | | | | |
| Revenues | \$ 4,958 | \$ 6,299 | \$ 7,380 | \$ 8,415 | \$ 9,486 |
| Gross Margin | \$ 1,643 | \$ 2,000 | \$ 1,950 | \$ 2,436 | \$ 2,772 |
| Gross Margin as Percent of Revenues | 33.1% | 31.8% | 26.4% | 28.9% | 29.2% |
| Income (Loss) Before Tax and Minority Interest (IBT&MI) | \$ 1,219 | \$ 814 | \$ (1,373) | \$ 646 | \$ 884 |
| Net Income (Loss) from Continuing Operations | \$ 711 | \$ 388 | \$ (1,646) | \$ 332 | \$ 366 |
| Net Income (Loss) | \$ 778 | \$ 255 | \$ (3,559) | \$ (414) | \$ 386 |
| Per Share Data | | | | | |
| Diluted Earnings (Loss) per Share from Continuing Operations | \$ 1.55 | \$ 0.72 | \$ (3.06) | \$ 0.56 | \$ 0.57 |
| Diluted Earnings (Loss) per Share | \$ 1.69 | \$ 0.47 | \$ (6.60) | \$ (0.69) | \$ 0.60 |
| Market Price at Year End | \$ 55.38 | \$ 16.35 | \$ 3.02 | \$ 9.44 | \$ 13.67 |
| Market Valuation at Year End | \$26,609 | \$ 8,718 | \$ 1,685 | \$ 5,906 | \$ 8,887 |
| Balance Sheet and Other Data | | | | | |
| Total Assets | \$33,400 | \$37,129 | \$34,616 | \$29,787 | \$29,732 |
| Invested Capital* | \$21,888 | \$25,261 | \$19,883 | \$20,595 | \$21,096 |
| Net Cash from Operating Activities | \$ 506 | \$ 1,691 | \$ 1,444 | \$ 1,576 | \$ 1,568 |

* Defined as total debt plus stockholders' equity plus minority interest less debt service reserves



The Company has included as Exhibits 31.1 and 31.2 to its Annual Report on Form 10-K for fiscal year 2004 filed with the Securities and Exchange Commission certificates of the Chief Executive Officer and Chief Financial Officer of the Company certifying the quality of the Company's public disclosure, and the Company has submitted to the New York Stock Exchange a certificate of the Chief Executive Officer of the Company certifying that he is not aware of any violation by the Company of New York Stock Exchange corporate governance listing standards.

NON-GAAP MEASURES

Management uses certain non-GAAP measures to assess the Company's current and expected future financial performance. The non-GAAP measures complement, but do not replace, the presentation of AES's financial results by providing supplemental information to better understand AES's financial position and results of operations. AES provides this information to help investors better understand trends and evaluate past, current and future operating results. Reconciliation of each of these financial measures is presented below.

ADJUSTED EARNINGS PER SHARE

Growth in adjusted EPS is an important measure of financial performance and value creation, and is defined as diluted EPS from continuing operations less certain factors that the Company believes add volatility to reported EPS. These factors (together the "excluded factors") are: (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. Reconciliation to nearest GAAP measure (note adjusted EPS was not used prior to 2003):

| | 2003 | 2004 |
|---|--------|----------|
| Adjusted EPS | \$0.56 | \$ 0.73 |
| Excluded Factors (Net) | \$0.00 | \$(0.16) |
| Diluted EPS from Continuing Operations | \$0.56 | \$ 0.57 |

FREE CASH FLOW

The amount and growth of free cash flow highlights consolidated cash flow available for debt retirement or growth investments, and is an element of discounted cash flow valuation. It is defined as net cash from operating activities less maintenance capital expenditures. Reconciliation to nearest GAAP measure:

| | 2002 | 2003 | 2004 |
|--|---------|---------|---------|
| Free Cash Flow | \$ 683 | \$1,034 | \$1,061 |
| Maintenance Capital | \$ 761 | \$ 542 | \$ 507 |
| Net Cash from Operating Activities | \$1,444 | \$1,576 | \$1,568 |

RETURN ON INVESTED CAPITAL (ROIC)

Improving return on invested capital is an important measure of value creation by highlighting increased operating earnings on capital invested in the business. It is defined as net operating profit after tax (NOPAT) divided by average capital employed.

| | 2002 | 2003 | 2004 |
|------------------------------------|------------|----------|----------|
| IBT&MI Plus Interest Expense | \$ (1,373) | \$ 646 | \$ 884 |
| Less Tax (Net) | \$ (79) | \$ 831 | \$ 787 |
| NOPAT | \$ 450 | \$ 1,801 | \$ 2,007 |
| Beginning Capital | \$25,261 | \$19,883 | \$20,595 |
| Ending Capital | \$19,883 | \$20,595 | \$21,096 |
| Average Capital | \$22,572 | \$20,239 | \$20,846 |
| ROIC % | 2.0% | 8.9% | 9.6% |

FORWARD-LOOKING STATEMENTS

The financial information in this report is in summary form. The complete financial statements and notes are filed in the Company's Form 10-K for the year ended December 31, 2004, as well as our other Securities and Exchange Commission (SEC) filings, and should be read in conjunction with this summary annual report. Copies of these filings can be obtained from our website at www.aes.com, or at www.sec.gov. Also, certain statements in this report may constitute "forward-looking statements" as defined by the SEC. Such statements are not historical facts, but are predictions about the future that 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 most recent Form 10-K as noted above.



AES GENERATION BUSINESS

The generation business encompasses AES's contract generation and competitive supply segments. These segments generate and sell electricity and related products to utilities or other wholesale buyers. Performance drivers for these businesses include plant reliability and fuel and fixed-cost management. Growth is largely tied to securing new power purchase agreements and expanding capacity.

AES UTILITIES BUSINESS

The utilities business encompasses AES's large utilities and growth distribution segments. These units sell electricity to residential, business and government customers, typically through integrated transmission and distribution systems. Reliable service, changing demand for electricity, working capital management, tariff adjustments and, in developing countries, reduction of commercial and technical losses, are important influences on sales, earnings and cash flow. Utilities have greater exposure to revenue and earnings growth from increased electricity demand resulting from economic development.

CONTRACT GENERATION

AES owns and operates plants that sell electricity and related products to utilities or other wholesale customers under long-term contracts. Fuel is typically hedged or purchased directly by the customer. This segment is characterized by relatively stable and predictable sales, earnings and cash flow.

2004 Highlights:

- Revenues
 - Increased 14% to \$3,546 million
 - Accounted for 37% of total revenues
- Gross Margin
 - Increased 13% to \$1,430 million

COMPETITIVE SUPPLY

AES owns and operates plants that sell electricity to wholesale customers in competitive markets. These plants typically sell under short-term contracts or into daily spot markets. Demand and prices can be affected by weather, electricity transmission constraints, fuel prices and competition. This business segment offers more varied sales, earnings and cash flow, although profitability can be well above average for a low-cost production facility in strong demand markets.

2004 Highlights:

- Revenues
 - Increased 16% to \$1,020 million
 - Accounted for 11% of total revenues
- Gross Margin
 - Increased 7% to \$236 million

LARGE UTILITIES

AES owns and operates three large electric utilities: Indianapolis Power & Light Company (IPL) in the US; Eletropaulo Metropolitana Electricidade de São Paulo SA in Brazil; and CA La Electricidad de Caracas (EDC) in Venezuela. These utilities maintain monopoly franchises with defined service areas selling electricity under regulated tariff agreements. They each have transmission and distribution capabilities; IPL and EDC also have generation plants.

2004 Highlights:

- Revenues
 - Increased 9% to \$3,600 million
 - Accounted for 38% of total revenues
- Gross Margin
 - Increased 15% to \$883 million

GROWTH DISTRIBUTION

AES owns and operates distribution facilities in developing countries where electricity demand is expected to grow faster than in more developed markets. These businesses serve smaller service areas that often need substantial infrastructure improvements. Electricity sales are made under regulated tariff agreements or under existing regulatory laws and provisions.

2004 Highlights:

- Revenues
 - Increased 17% to \$1,320 million
 - Accounted for 14% of total revenues
- Gross Margin
 - Increased 22% to \$223 million





PHOTOGRAPHY:

Cover: AES powers commerce and fuels the nightlife of Nanjing, China. **Inside cover and Page 5:** AES SONEL school and day care center, Bassa, Douala, Cameroon. **Page 6:** São Paulo skyline: AES Eletropaulo provides power to five million customers in São Paulo, Brazil. **Page 9, top:** AES Tietê hydro power plant replanting and seeding program, Promissão, Brazil. **Page 9, bottom:** Wedding celebration, Qatar. **Page 10, top left:** AES Kievoblenergo provides electricity to a greenhouse. **Page 10, top right:** Turbine at the AES Tietê hydro power plant, Promissão, Brazil. **Page 10, bottom left:** Security guard at the Estí hydro power plant, Panama. **Page 10, bottom right:** King from the Kingdom of Bafut, Cameroon. **Page 13, top left:** AES Panama excavation team with artifacts recovered from construction of the Estí hydro power plant. **Page 13, top right:** Kiev, Ukraine. **Page 13, bottom left:** 2000 year-old irrigation site, Chengdu, China. **Page 13, bottom right:** Doha, Qatar. **Page 14, top left:** AES Gener internship program participants, Chile. **Page 14, top middle left:** Traditional dances near the Bayano hydro plant, Panama. **Page 14, top middle right:** AES Gener-Ventanas power plant in Chile, shot through La Ventana, the stone window for which the town is named. **Page 14, top right:** Huaso (Chilean “cowboy”) practicing for a rodeo. **Page 14, bottom left:** Cityscape, Kiev, Ukraine. **Page 14, bottom middle left:** Indianapolis, Indiana, USA. **Page 14, bottom middle right:** AES SONEL lineman, Douala, Cameroon. **Page 14, bottom right:** Chengdu, China. **Page 17, top left:** Lighting the historic Chain Bridge, Budapest, Hungary.

Page 17, top middle left: Chinese postcard, vintage 1920s. **Page 17, top middle right:** AES SONEL customer, Cameroon. **Page 17, top right:** China. **Page 17, bottom left:** Working in a live vault, IPL, Indianapolis, Indiana, USA. **Page 17, bottom middle left:** AES Eletropaulo-sponsored community gardens, São Paulo, Brazil. **Page 17, bottom middle right:** AES Gener’s Programa Amigos de la Ciencia social responsibility program, Renca, Chile. **Page 17, bottom right:** Market, Doha, Qatar. **Page 18, top row, left to right:** São Paulo, Brazil. Chiriquí Health Center inauguration, Panama. Matryoshka dolls, Kiev, Ukraine. Safety manager of the Cili hydro power plant, China. Traditional dances at the Kingdom of Bafut, Cameroon. **Page 18, second row from top, left to right:** Wood chipping team at the AES Tiszapalkonya biomass power plant, Hungary. AES Kievoblenergo-sponsored orphanage. IPL trucks on duty, Indiana, USA. AES Gener-Alfalfal power plant, Chile. **Page 18, third row from top, left to right:** AES Kievoblenergo high-voltage power line. Budapest, Hungary. Doha, Qatar. AES Kievoblenergo residential customer service office. **Page 18, fourth row from top, left to right:** Eduardo Bernini, AES Brazil. AES Tietê hydro power plant replanting and seeding program, Promissão, Brazil. Paul Hanrahan, President and CEO, AES Corporation, with colleagues at AES SONEL, Cameroon. AES Kievoblenergo line crew. **Page 18, fifth row from top, left to right:** Chiriquí Health Center inauguration, Panama. Downtown Kiev. Traditional dances near the Bayano hydro plant, Panama. Safety sign at the Estí hydro power plant, Panama. **Page 18, bottom row, left to right:** Nanjing Lu, Shanghai, China.

Vault drawings, IPL, Indianapolis, Indiana, USA. IPL line school, Indianapolis, Indiana, USA. Nanjing, China. **Page 19, top row, left to right:** On duty at AES Gener, Chile. Indianapolis, Indiana, USA. AES Eletropaulo mural, São Paulo, Brazil. AES SONEL customer service center, Cameroon. **Page 19, second row from top, left to right:** Practicing for carnival, São Paulo, Brazil. AES Ras Laffan, Qatar. AES Eletropaulo customer, São Paulo, Brazil. AES SONEL choir, Cameroon. Panama City, Panama. **Page 19, third row from top, left to right:** IT education program, AES Hungary. AES Gener-Maitenes hydro power plant, Chile. A panda, China. Garry Levesley, AES Ukraine. **Page 19, fourth row from top, left to right:** Qatar at dusk. Mother and child, Cameroon. AES contributed funds to help build a middle school, Jin Tang, China. Grocery store that IPL serves in Indianapolis, Indiana, USA. **Page 19, fifth row from top, left to right:** AES Hungary fire safety squad. Budapest, Hungary. On duty at AES Brazil. Chengdu power plant, China. **Page 19, bottom row, left to right:** Grocery store that IPL serves in Indianapolis, Indiana, USA. Downtown Kiev. IPL line school, Indianapolis, Indiana, USA. Control room, AES Tisza II power plant, Hungary. **Page 20:** Historic Chain Bridge, Budapest, Hungary. **Pages 22-23:** Santiago, Chile. **Page 25:** An AES Gener client, Chile. **Page 26:** Chengdu, China.

Photography by David Katzenstein.

EXECUTIVE OFFICERS

Paul Hanrahan
President and CEO

Joseph Brandt
Executive Vice President and COO
Integrated Utilities

Robert Hemphill
Executive Vice President
Global Development

William Luraschi
Executive Vice President and
General Counsel

John Ruggirello
Executive Vice President and COO
Generation

Barry Sharp
Executive Vice President and CFO

CORPORATE AND BUSINESS LEADERS

Eduardo Bernini
Vice President
Integrated Utilities: Brazil

Jean-David Bilé
Vice President
Integrated Utilities: SONEL

Rich Bulger
Vice President
Internal Audit

Felipe Cerón
Vice President
Generation: Latin America

George Coulter
Vice President
Chief Information Officer

Scott Cunningham
Vice President
Investor Relations

Eduardo Dutrey
Vice President
Integrated Utilities: Argentina

Catherine Freeman
Vice President
Corporate Controller

David Gee
Vice President
Strategy

John Giraud
Vice President
Chief Compliance Officer

Andrés Gluski
Senior Vice President
Integrated Utilities: Caribbean
and Central America

Ned Hall
Vice President
Wind Generation

Chip Hoagland
Vice President
Treasurer

Neil Hopkins
Vice President
Business Analysis

Hareesh Jaisinghani
Vice President
Generation: Asia

Jay Kloosterboer
Vice President
Chief Human Resources Officer

Garry Levesley
Vice President
Integrated Utilities: Ukraine

Amy Lockwood
Vice President
Financial Controls and Processes

Leith Mann
Assistant Corporate Secretary

Carlos Marozzi
Vice President
Integrated Utilities: El Salvador

Vincent Mathis
Vice President
Assistant General Counsel
Corporate Finance and Securities

John McLaren
Vice President
Generation: Europe and Africa

Brian Miller
Vice President
Deputy General Counsel and
Corporate Secretary

Ann Murtlow
Vice President
Integrated Utilities: IPL

Roger Naill
Senior Vice President
Forecasting

Ali Naqvi
Vice President
Chief Procurement Officer

Julián Nebreda
Vice President
Integrated Utilities: Dominican Republic

Thomas Newton
Vice President
Generation: Performance

Robin Pence
Vice President
Communications

Dale Perry
Vice President
Generation: Kazakhstan

Kevin Polchow
Vice President
Tax

Shahzad Qasim
Senior Vice President
Generation: Middle East

Dan Rothaupt
Vice President
Generation: North America East

Didier Rotsaert
Vice President
Special Projects

Richard Santoroski
Vice President
Risk Management

Sarah Slusser
Senior Vice President
Global Development

Andrew Vesey
Vice President
Integrated Utilities: Development

Mark Woodruff
Vice President
Generation: North America West

THE BOARD OF DIRECTORS

Richard Darman (Chairman)
Partner and Managing Director,
The Carlyle Group; former Director,
US Office of Management and Budget

Alice Emerson
Former Senior Advisor, Andrew W. Mellon
Foundation; Former President, Wheaton
College; retiring from the Board, April 2005

Paul Hanrahan
President and CEO, AES

Kristina Johnson
Dean, the Edmund T. Pratt, Jr., School
of Engineering, Duke University

John Koskinen
President, US Soccer Foundation;
former Deputy Mayor and City Administrator,
the District of Columbia

Philip Lader
Chairman, WPP Group plc; former US
Ambassador to the Court of St. James's

John McArthur
Senior Advisor to the President,
the World Bank Group; Dean Emeritus,
Harvard Business School

Sandra Moose
President, Strategic Advisory Services LLC;
former Senior Vice President and Director,
The Boston Consulting Group

Philip Odeen
Chairman, Reynolds and Reynolds
Company; former Chairman, TRW Inc.;
former President and CEO, BDM

Charles Rossotti
Senior Advisor, The Carlyle Group; former
Commissioner, the IRS; former CEO, AMS

Sven Sandstrom
Former Managing Director,
the World Bank Group

Roger Sant
Co-founder and Chairman Emeritus,
AES; Chairman of the Board,
The Summit Foundation

INVESTOR INFORMATION

Investor Information at www.aes.com

- Annual Reports
- Quarterly Earnings Releases, Presentations and Conference Call Information
- SEC Filings
- Investor Presentations
- Stock Price Information
- Frequently Asked Questions (FAQs)
- Press Releases
- Fact Sheet
- Investor Fact Book
- Corporate Responsibility and Governance

NUMBER OF SHAREHOLDERS

There were 10,354 shareholders of record as of December 31, 2004.

ANNUAL SHAREHOLDERS MEETING

The 2005 annual shareholders meeting will be held on April 28, 2005, at 9:30 a.m. at the offices of the AES Corporation:
4300 Wilson Blvd.
Arlington, VA 22203
USA

COMMON STOCK

AES common stock is listed on the New York Stock Exchange under the symbol AES.



INDEPENDENT PUBLIC ACCOUNTANTS

Deloitte & Touche LLP

STOCK TRANSFER AGENT INFORMATION

EquiServe is the stock transfer agent and registrar for AES common stock, and maintains AES shareholder records.

For information on stock ownership records, stock certificates, and change of address information, please contact:

EquiServe Trust Co. N.A.
P.O. Box 43069
Providence, RI 02940-3069
USA

Phone: 1-781-575-2725

Web Site: www.equiserve.com

INVESTOR RELATIONS

Investor relations inquiries should be directed to:

Scott Cunningham
Vice President, Investor Relations
4300 Wilson Blvd.
Arlington, VA 22203
USA

Phone: 1-703-682-6336

E-mail: invest@aes.com

ADDRESS

AES Corporation
4300 Wilson Blvd.
Arlington, VA 22203
USA

AES is committed to demonstrating the highest standards of business ethics in all that we do. To that end, AES has adopted a Compliance Program and a Code of Business Conduct and Ethics.