



Our impact today extends



Our impact today extends

COVER AND INSIDE FRONT COVER:
Nightscape, Bogotá, Colombia
THIS PAGE:
Schoolchildren at an AES Irabo-sponsored
corporate responsibility program,
Haina, Dominican Republic

into the future,

IMPACT: THE WORD IMPLIES A RESULT THAT IS IMMEDIATE. BUT ITS MEANING IMPLICITLY SPEAKS TO THE FUTURE. AND IT IS THIS FOCUS ON THE FUTURE THAT IS SHAPING AES TODAY.

At AES we see the impact of our business on people's lives every day. The energy we produce provides comfort and convenience, keeps production lines churning and illuminates computer screens. But beyond the present is a broader, more enduring impact that comes from the work we do.

The new plant we construct in Chile not only lightens a dark street today, it helps ignite and stimulate the local economy, and build community infrastructure. The facilities we make more efficient in Mexico and the Philippines not only bring power to more homes and businesses, they also enable rigorous expansion of commerce and educational opportunities for children. The new wind farms we're building in Huanghua, China and Abilene, Texas, and the climate change solutions we're developing in Malaysia contribute to improved air quality today and help ensure the environmental future of our planet.

We are using our global footprint, along with our development and operational expertise, to explore energy initiatives that support both immediate and positive gains for our business, while also addressing the critical issues of our time: demand for cleaner, more reliable and sustainable energy. The diverse portfolio of energy solutions we are building today reflects the values that built AES and will define our company's future for decades to come.

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LEFT TO RIGHT:
Schoolchildren at an AES Itabo-sponsored
corporate responsibility program,
Haina, Dominican Republic; Waterfall in
El Yungue National Forest, San Juan,
Puerto Rico; Oranges at a local food
market, Zhangjiajie, China; Participants
in the annual folk dance festival, Sambalpur,
India; Neon signs, Nanjing, China

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bringing secure and

THROUGH OUR CORE BUSINESS, AES IS GENERATING POWER IN REGIONS OF THE WORLD WHERE ELECTRICITY IS PART OF THE FABRIC OF EVERYDAY LIFE, AS WELL AS IN PLACES WHERE IT HAS NEVER BEFORE BEEN AVAILABLE.

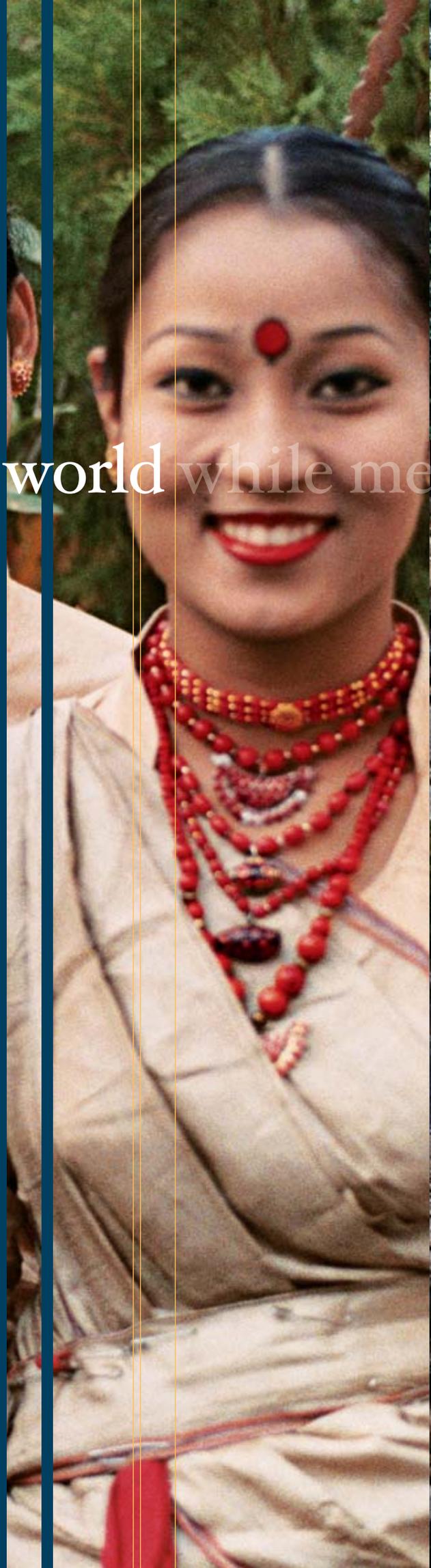
The heightening city skylines, the bustling traffic on streets and construction of schools and hospitals are evidence of economic expansion occurring in cities and towns across far reaching parts of the world. To keep these expansions going requires a secure and steady source of energy.

Advances we made in 2007 will help bring reliable electricity and its associated benefits to people everywhere for years to come. By creating a more dependable energy stream from our newly acquired plants in Mexico, we are helping to strengthen that country's ability to produce materials to build new homes and businesses and mine the potential of its vast mineral wealth. A new plant we are building in Jordan will deliver 20% more energy than currently available in that country, helping the electricity sector keep pace with Jordan's growing economy and developing consumer culture. And, in India through the planned construction of just one new plant and expansions at another, we will create the capacity for 25 million people to have access to more reliable power to light their homes and enrich their futures.

Through our pending acquisition of an existing power plant on the island of Luzon in the Philippines, we will meet the rising demand for electricity on the fourth most populated island in the world by making operational improvements that will increase output and help bolster the island's expanding economy. Our promise to deliver more energy is focused on the fast-growing regions of the world, with 40% of our medium- to advanced-stage projects in development based in Asia and the Middle East.

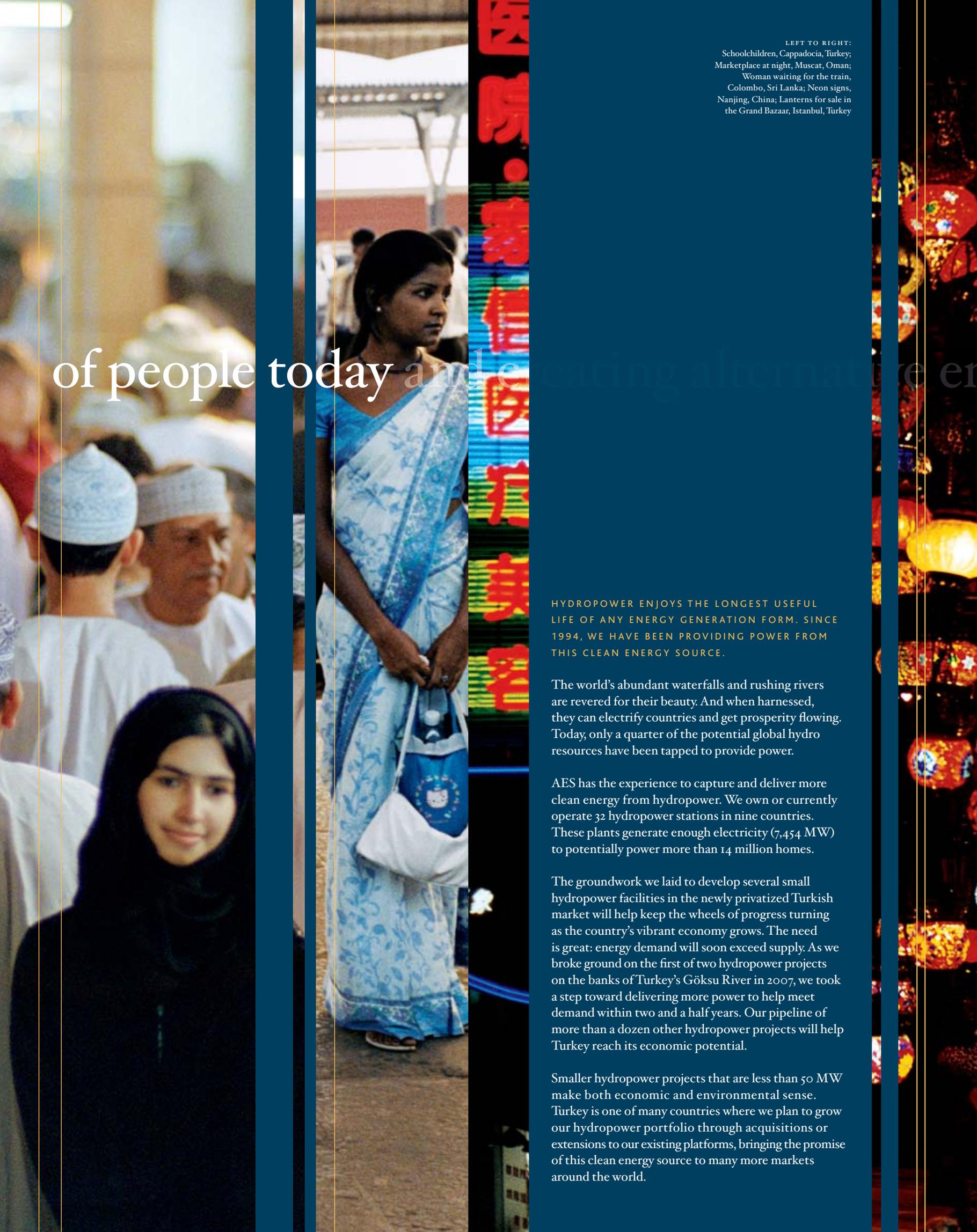


reliable energy to the world while meeting



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LEFT TO RIGHT:
Schoolchildren, Cappadocia, Turkey;
Marketplace at night, Muscat, Oman;
Woman waiting for the train,
Colombo, Sri Lanka; Neon signs,
Nanjing, China; Lanterns for sale in
the Grand Bazaar, Istanbul, Turkey

of people today and

HYDROPOWER ENJOYS THE LONGEST USEFUL LIFE OF ANY ENERGY GENERATION FORM. SINCE 1994, WE HAVE BEEN PROVIDING POWER FROM THIS CLEAN ENERGY SOURCE.

The world's abundant waterfalls and rushing rivers are revered for their beauty. And when harnessed, they can electrify countries and get prosperity flowing. Today, only a quarter of the potential global hydro resources have been tapped to provide power.

AES has the experience to capture and deliver more clean energy from hydropower. We own or currently operate 32 hydropower stations in nine countries. These plants generate enough electricity (7,454 MW) to potentially power more than 14 million homes.

The groundwork we laid to develop several small hydropower facilities in the newly privatized Turkish market will help keep the wheels of progress turning as the country's vibrant economy grows. The need is great: energy demand will soon exceed supply. As we broke ground on the first of two hydropower projects on the banks of Turkey's Göksu River in 2007, we took a step toward delivering more power to help meet demand within two and a half years. Our pipeline of more than a dozen other hydropower projects will help Turkey reach its economic potential.

Smaller hydropower projects that are less than 50 MW make both economic and environmental sense. Turkey is one of many countries where we plan to grow our hydropower portfolio through acquisitions or extensions to our existing platforms, bringing the promise of this clean energy source to many more markets around the world.



LEFT TO RIGHT:
Detail of seascape on the north
shore of Puerto Rico; Children
visiting the market at the Montserrat
Church, Bogotá, Colombia; Native
palms in rain forest, El Yungue
National Forest, Puerto Rico; Sunset
at the AES Buffalo Gap wind farm,
Texas, USA; Evening on the Charles
Bridge, Prague, Czech Republic

People today and creating alternative energy

IN VIRTUALLY EVERY COUNTRY IN WHICH WE
HAVE A PRESENCE TODAY, THERE IS RENEWABLE
POWER POTENTIAL AND A GROWING MANDATE
TO DEVELOP IT.

The world is rich in renewable power sources like wind, solar and biomass. Each has a place in today's energy mix, as countries strive to meet their renewable energy targets.

AES is well-positioned to help meet worldwide desire for energy options. We are in many parts of the world today where alternative energy will play an increasingly significant role tomorrow.

Acquisitions and expansions we made at some of our wind sites in California and Texas, combined with purchases of new wind farms in the Midwest, made AES one of the fastest-growing wind energy producers in the US in 2007. Our new projects not only are generating clean energy, they are helping to reinvigorate rural communities by pumping money into local economies, and by creating jobs and a new revenue source for farmers and other landowners who lease their property to our projects. Over 150 new wind turbines stand tall across the fields at our Buffalo Gap wind farm in Texas, their blades spinning breezes into a clean and low cost renewable energy. When new expansions we began at Buffalo Gap in 2007 are completed, this project will be one of the largest wind farms in the US.

We are also helping China meet its goal to develop 30,000 MW of wind power by 2020. Through our partnership with Guohua Energy Investment Co. Ltd., AES has the distinction of being one of the first US-based power companies to invest in a wind generating facility in China, the first of many we plan to develop there.

solutions for a brighter tomorrow



for a brighter tomorrow

in ways that ensure



LEFT TO RIGHT:
Students at an AES Barka-
sponsored corporate responsibility
program, Rustaq, Oman;
Zailisky Alatau Mountains and Big
Almaty Lake, the countryside outside
of Almaty, Kazakhstan

a sustainable future.

IN ADDITION TO HELPING GROW OUR BUSINESS,
OUR CLIMATE CHANGE PROJECTS WILL HELP PRESERVE
THE ENVIRONMENT FOR FUTURE GENERATIONS.

The detergent you wash with, the face cream you apply, the shortening you use to bake—these are likely made with oil from the fruit of a palm tree growing in Malaysia. An unfortunate by-product of palm oil production, however, is the release of methane, a potent greenhouse gas.

AES has been working with palm oil mill owners in Malaysia to develop projects that capture and destroy these methane emissions. These projects are a small part of a growing new business for AES—the creation, qualification and sale of Carbon Emission Reductions. The international market for emissions reductions is estimated to be \$10–15 billion annually. The initiatives we have begun span from Eastern Europe to China and through Indonesia's vast island chain. Our approach to integrate and manage the many steps involved in identifying and reproducing scalable solutions is gaining traction in markets we have entered.

Concurrently, through Greenhouse Gas Services, our venture with GE Energy Financial Services, AES is pursuing development of a large volume of high quality emissions reductions in the evolving US carbon marketplace. This venture is focused on producing 10 million tons worth of voluntary emissions reductions by 2010. Standards we jointly created in 2007 will provide a much needed framework for achieving this target.

Growing at Our Core

In 2007, we continued to develop our existing power facilities and advanced greenfield projects to generate more reliable power from conventional fuels. We expanded into markets where we are bringing new efficiencies, safer work conditions and power to an ever larger number of people.

NEW EFFICIENCIES FOR PLANTS IN MEXICO

AES saw great opportunity at two five-year-old plants we acquired in Tamiín, Mexico last year. The two facilities—TEG and TEP—had been providing electricity exclusively to two of Mexico's largest and oldest industrial customers, but were not operating at maximum capacity. Applying our expertise in operations and a technology that provides cleaner burning coal, we delivered improvements that increased energy output from the two plants by 20 MW in less than one year. We also significantly enhanced the safety environment for our people who work at the plants, reducing Lost Time Accidents by 75%. The improvements added \$50 million to the plants' long-term value and brought annual savings of \$2.5 million.

POWERING UP IN THE PHILIPPINES

The type of improvements we made at our plants in Mexico will be replicated at a 10-year-old plant we are acquiring on the island of Luzon, 250 km northwest of the capital of Manila in the Philippines. A new market for AES, the Philippines is particularly attractive because of the progressive approach the government has taken to create a competitive wholesale electricity market. We will own and operate the country's first privatized thermal market-based plant and have the opportunity to expand this 600 MW facility we expect to acquire in early 2008. Near-term, improvements we will make should increase capacity and help keep this facility online more often, a significant step toward meeting the rising electricity demands driven by the growing Philippine economy.

ON A STRONG GROWTH PATH IN CHILE

The Chilean electric generation sector will need to double in the next 10 years in response to the country's growing economic needs. Plant expansions and new greenfield projects that AES Gener and our subsidiaries in Chile are working on today will play a major role in ensuring reliable energy supply. Our path to growth leads from the country's northern city of Mejillones, south to the city of Cabrero. Across this region, we have eight plants in various stages of development and construction. When completed, the plants will double AES Gener's existing generation capacity by an additional 2,700 MW.

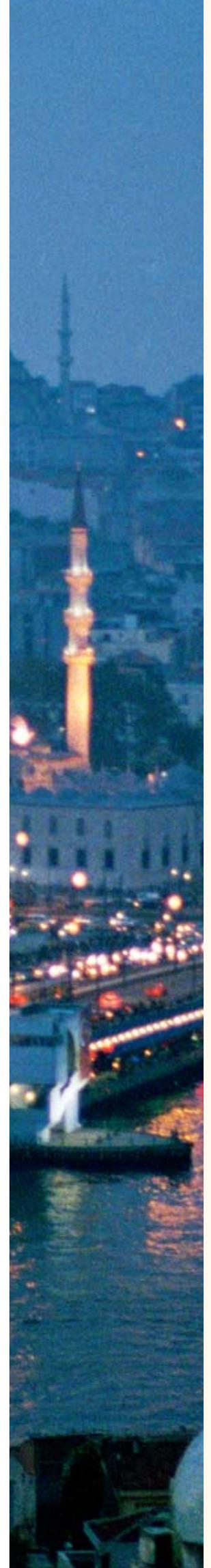
PICTURED:
Serglio Point on the Golden Horn
as seen from Galata Tower at dusk,
Istanbul, Turkey

MOVING QUICKLY TO MEET DEMAND IN JORDAN

Energy demand in Jordan has been growing at 7% per year for the past five years. AES will help answer the country's need for more power with a 370 MW power plant we began to construct in Amman, Jordan in 2007. When the plant is completed and operational, we will reduce the average cost of generation by approximately 10%. A nearby farming village, meanwhile, will benefit from the extension of a water distribution network being built by AES that will help irrigate local crops. And, a scholarship program established by AES will foster higher education opportunities for exceptional local students.

FURTHER INVESTING IN ENERGIZING INDIA

Endeavoring to support soaring growth in industry and commerce with the necessary energy supply, India has found a long-term partner in AES. The progress made over the last eight years at our plant in the state of Orissa, owned in partnership with the Government of Orissa, has helped reduce outages, and improve the lives of area residents. In 2007, the government awarded our plant, OPGC (Orissa Power Generation Corporation), coal mining rights to support the development of up to 2,400 MW of new coal-fired generation capacity. In addition, AES was awarded coal mining rights to support the development of a new 1,200 MW plant in Chhattisgarh. With the completion of these projects, we will have the capacity to provide more dependable power to 25 million people in India.



Growing Our Renewables Portfolio

We continued to expand our hydropower and wind generation businesses, further extending our reach in renewables around the world.

HARNESSING RIVER POWER IN TURKEY

At the crossroads of three continents, Turkey is undergoing remarkable economic growth. With that expansion comes an ever increasing need for the infrastructure and energy necessary to fuel a healthy economy. An additional 3,000 MW of new capacity must be brought online every year through at least 2015 to meet the country's projected energy demand. The presence we established in hydropower in Turkey in 2007 with our new partner, İC İbrahim Çeçen Yatırım Holding A.Ş., provides AES future opportunities to participate in wind, thermal and hydropower developments. We also expect to engage in regional power trading, as Turkey moves forward with its power generation and distribution privatization initiatives.

A THIRST FOR MORE POWER IN PANAMA

In Panama, the government is looking for investors to fund production of an estimated 50 MW of new energy generation demand each year. AES Changuinola is helping to answer the need for more power by undertaking hydropower projects on the Changuinola River. AES's Changuinola I hydropower project ranks as the second largest infrastructure project in Panama—second only to the expansions of the Panama Canal. The facility we currently have under construction will add 223 MW of clean, renewable power annually to Panama's national transmission grid.

WIDESPREAD EXPANSIONS IN WIND

From the dry summer hills of California to the lush farmlands of Normandy, people are using the wind that once pollinated their crops to grow a new cash crop called electricity. Throughout the world, the farming of megawatts from wind is an important and growing phenomenon.

AES also is pursuing the wind energy business in a major way. Our strategy to develop new wind farms, as well as to acquire existing wind operations and projects in development, has enabled us to grow our wind business faster than many of our competitors. In the US alone, we increased the size of our wind business by more than 66% in 2007. Wind farms we plan to add in the future will extend our reach in the US from coast-to-coast, putting us closer to our goal of tripling our global wind business by 2011.

In addition to our joint venture to construct a 49.5 MW wind project in China—that could eventually quadruple to 200 MW—we advanced several development projects in Bulgaria, Greece, Scotland and Turkey, and brought online a small operation in France.

A FUTURE FOR SUN POWER AT AES

Solar power will be a business that moves into the spotlight for the first time at AES in 2008. Growing at an annual rate of 20–25% in the developed world, solar is a promising power source. During 2007, AES laid the groundwork for entering this market. By adding solar power to our portfolio of energy solutions in 2008 and beyond, we can create a valuable new revenue stream for AES that helps the world meet its need for new sources of renewable energy.

Developing Climate Solutions

Our goal is to build a portfolio of emissions reduction projects that will reduce over 20 million tons per year of greenhouse gas emissions from the atmosphere by the end of 2011.

ESTABLISHING GLOBAL LINES OF CARBON CREDITS

Our strategy to build a business in climate solutions has taken us to agricultural wastewater and landfill sites in Central and South America, China, Indonesia, Malaysia, Poland, Russia, Thailand, Ukraine and Vietnam. We also are pursuing lighting efficiency projects in India that will systematically replace incandescent with fluorescent lighting. The projects we are developing to create emissions reductions meet the standards under the Clean Development Mechanism of the Kyoto Protocol. The emissions reductions we create through these and other projects can be used by AES businesses or sold into international carbon markets where they benefit other organizations looking for compliance solutions.

In the past year, we moved closer toward purchasing a landfill gas to energy project in El Salvador. The project will convert gas to up to 25 MW of renewable energy while generating an average of 400,000 emissions reductions per year over the project's life. Our pipeline of current greenhouse gas emissions reduction projects is growing, with global projects identified that could produce up to 13.5 million emissions reductions annually. Our lighting efficiency project in India could produce up to 300,000 emissions reductions annually, based on the savings in electricity usage that it promotes.



The actions we took in 2007 position AES for ongoing growth. They also furthered our expansion into renewable energy and climate solutions as we continued our transformation from a global power company to a global power and alternative energy company.

As we look back on 2007, we do so with a mixture of satisfaction and sadness. We were pleased with the progress we made in growing our core businesses and furthering our expansions into renewable energy and climate solutions. But, as we acknowledged our many accomplishments, we mourned the passing in January 2008 of AES's Chairman of the Board, Dick Darman—a leader, visionary, mentor, and friend.

Our message of “impact” takes on deeper meaning as we recall the tremendous impact Dick had on AES. He had the foresight to see the need for expanding the world's production and use of renewable sources of energy. He advocated better ways to deliver energy to ensure its safe and secure supply in the future. Dick's leadership in these areas defines the direction of our company today. In his early days as a member of our Board, and then as Chairman, Dick helped guide us through our most challenging days and brought a disciplined and systematic approach to our growth that worked. Outside of AES, working for five United States presidents, he had far reaching influence on public policies that helped shape our nation.

As we move forward, AES is well positioned to continue meeting the world's growing need for power and providing solutions for a cleaner and more sustainable energy future. For this, we owe much gratitude to Dick.

NO BETTER TIME TO BE AN ENERGY COMPANY

We see economic expansion underway in so many of the countries we operate in today, from the emergence of a more upwardly mobile middle class in China to the strengthening of Panama City, Panama as a center of international trade and commerce to the votes of confidence foreign investors are making in fast-growing countries in Southeast Europe. These expansions are creating unprecedented global demand for power while overall energy consumption is increasing worldwide. At the same time, concerns about global warming and world energy supply are driving policy and business decisions.

For AES, there could not be a more exciting and opportune time to be in the energy industry. By 2030, worldwide demand for energy will increase by 50%.

Roughly 70% of this expanded demand will come from growing economies in developing countries—the type of countries in which AES is already providing, or has plans to provide, power generation and distribution. The convergence of this ever growing demand for more energy combined with escalating global concerns about climate change and energy supply, plays to the development strengths that helped build our company. We have the capability and reach to improve and extend reliable electricity to millions of people now and into the future. In parallel, we are able to help those countries in which we already operate meet the challenging renewable energy and carbon emissions reduction targets they have set.

Our long-term growth strategy aligns with these trends, and focuses on expansion in three major areas: core power generation and distribution, renewable power, and climate solutions that emphasize greenhouse gas emissions reductions.

OUR CORE STRENGTH

Through continued expansions in our core power generation portfolio—which today forms the backbone of our business—we will help light more of the world's communities and cities. New projects we are building in Chile and developing in India, and operational improvements we made to two plants we recently acquired in Mexico will expand reliable and cost-effective electricity to millions of people. We also are expanding our business into fast-growing countries such as Jordan and the Philippines. To each new project, we apply more than two decades of experience to identify ways to make workplaces safer, to improve operations, and to provide dependable and affordable power.

RENEWABLES ON THE RISE

Our renewables business grew significantly in 2007 and now comprises 20% of our overall portfolio. Last year, we were one of the fastest growing wind generators in the US, increasing our wind business by 66% and ending the year with more than 1,000 MW in operation. We plan to continue our growth in the US and accelerate our efforts in other AES markets around the world. We started construction of our first

wind farm in China and see tremendous opportunity for further expansion of our wind business there. We expanded our operations into Turkey and started construction on the first of many hydropower projects we plan to build and operate there. Our strategy to build small hydros affords us rapid market entry with limited environmental disruption.

PART OF THE CLIMATE SOLUTION

Mitigating the effects of greenhouse gases is good for the environment; it is also a good business for us. In 2007, construction began on nearly a dozen of our initiatives around the world ranging from palm oil projects in Malaysia to landfill gas energy projects in China to a biomass project in Indonesia, which not only creates carbon offsets but also will put clean power on the grid. We made significant progress toward acquiring a landfill gas to energy project in El Salvador, our first acquisition of an operating Clean Development Mechanism project that is fully registered and already receiving Carbon Emission Reductions credits.

KEY FINANCIAL HIGHLIGHTS

We continued to meet expectations in the key indicators we believe best measure our financial performance. During 2007, AES generated record revenues of \$13.6 billion, reflecting annual revenue growth of \$2 billion, or 17.4%, over 2006. We also recorded record cash flow from operations of \$2.4 billion. Free cash flow* was \$1.48 billion, exceeding our guidance of \$1.2–\$1.4 billion.

We also continued to aggressively manage our portfolio of businesses for maximum value and flexibility. To free up capital for future investments, we sold a portion of our interest in our Chilean generation company, AES Gener, and reached an agreement to sell some of our facilities in northern Kazakhstan, which we will continue to operate under a management agreement until 2010. These transactions are good examples of how active portfolio management creates opportunities to increase value for our shareholders.

The capital markets exhibited confidence in AES with their response to our senior unsecured bonds offering. We initially offered \$500 million but quadrupled the amount issued to \$2 billion based on strong investor demand in an otherwise weak market. The October offering was the largest single corporate finance deal in AES history. Our ability to execute this offering in such difficult times underscores the positive changes we made to strengthen our financial structure and report financials in a more accurate and timely way.

A LASTING IMPACT

We are well positioned to continue our long-term commitment to growth. Today, we are a global power and alternative energy company serving markets that have long known the convenience of reliable electricity. At the same time, we continue to expand our reach in markets that are just beginning to realize the possibilities that access to energy brings.

Our development pipeline reflects this dynamic: 40% of our medium- to advanced-stage projects are in the fast-growing economies of Asia and the Middle East. We can bring these countries the power they require to fuel their growth, but our lasting impact will always be broader than the energy we provide. As we look ahead, we will continue to answer the world's growing demand for energy, and do so in a way that endeavors to both preserve our environment and ensure a dependable energy future for generations to come. That is our mission and our passion.



PHILIP A. ODEEN
CHAIRMAN OF THE BOARD



PAUL HANRAHAN
PRESIDENT AND CHIEF EXECUTIVE OFFICER

* defined as cash flow from operations less maintenance capital expenditures of \$878 million.

MARCH 17, 2008



A Culture of Continuous Improvement

Keeping a power plant running at top efficiency requires dedicated focus. Maintenance outages must be scheduled; networks upgraded; people kept safe on the job. And the systems to keep track of it all must provide both local and global insight into our business.

We measure our operational performance by how well AES people manage the complex activities at our plants and offices around the world.

STRIVING FOR SAFETY AND ENVIRONMENT MANAGEMENT EXCELLENCE

Working in the power industry can be dangerous, which is why we make safety our first priority. During 2007, we introduced enhanced global safety and environmental standards throughout our businesses. These, and newly implemented safety and environmental management systems, were designed to help eliminate potential accidents in our highest risk areas and provide a consistent approach to administering safety programs across our global operations. The adoption of these systems in 2007 enabled all AES facilities in Asia and the Middle East, and many of our other facilities to obtain recognized occupational health and safety certifications through the OHSAS 18001 and ISO 14001 processes.

GENERATING INDUSTRY RECOGNITION FOR OPERATIONAL EXCELLENCE

Heading a long list of achievements for operational excellence was a top industry award from the Edison Electric Institute that recognized AES's Latin American region for outstanding improvements across its businesses and for contributions that advanced the overall power industry. The award is a testament to the caliber of our people and operations in Latin America which currently serve the energy needs of more than eight million people through 47 generation and nine distribution operations. Empowering people to find innovative ways to advance the business and

share ideas on everything from procedures to halt the erosion of Pelton runners on hydroelectric turbines in Chile to effective call center management systems in Brazil, dramatically improved our operations in Latin America. Our businesses there experienced an 8% increase in net generation, a 15% reduction in outages, an 8% reduction in energy losses and higher customer satisfaction rates.

In North America, best practices initiatives showed their value in both immediate and longer-term achievements. Our plant in Connecticut, AES Thames, completed a scheduled maintenance service outage in record time, shaving 15 days off industry standard timetables. Ongoing environmental emissions reduction initiatives at Indianapolis Power & Light Company brought a new flue gas desulfurization system online at the Harding Street Station that is reducing sulfur dioxide emissions by 97%, making the air cleaner for everyone in the area. At AES Shady Point in Oklahoma and AES Puerto Rico, our plants ended the year running at 100% of contracted power availability. AES Hawaii, meanwhile, celebrated 15 years of power generation operation that far exceeded industry standards for service availability.

BANKING ON NEW IMPROVEMENTS

Across our businesses, AES people continually strive to provide stronger results by identifying and implementing process improvements and cost reductions. We accelerated the roll-out of a problem-solving methodology called APEX (AES Performance Excellence), and began to realize benefits and cost reductions that together have saved us \$15 million since the program's start in 2006.

We also began implementing enterprise resource planning software to help standardize our financial reporting processes and policies. Early projects are underway at our businesses in Chile, El Salvador, Spain and Ukraine.

Building on a Rich History of Corporate Responsibility

Our global presence reminds us that 1.6 billion people still live in “energy poverty,” without life-changing conveniences that electricity affords. If we can do something more to address that reality, we have an opportunity to make an impact that is distinctive, far reaching and inspiring for all AES people.

Corporate Responsibility at AES is not a program: it is integral to the value system that has shaped the conduct of our business since our inception. As we expand our existing businesses or enter a new market, we are often presented with opportunities to leverage our competencies and infrastructure in ways that go beyond our day-to-day business.

KNOWLEDGE LEADS TO POWER IN BRAZIL

In Brazil, AES Eletropaulo works hard to make electric power affordable for everyone. But the lack of regular income for some residents in poorer areas has meant that customers who use and want power often have a tough time paying for it. Recognizing that information about how to use electricity more efficiently might help customers, Eletropaulo has spearheaded several ongoing educational programs to help people learn conservation techniques that will lower their monthly payments. Going door-to-door to customers’ homes, AES people helped consumers by replacing older appliances and lamps with more energy-efficient models (many of them donated by AES), and by improving electrical wiring in homes and businesses.

This initiative, along with another program AES undertook with the US Agency for International Development and the International Copper Association in a low-income neighborhood of São Paulo, has helped ensure that electricity remains a staple of everyday life for 800,000 people.

CONNECTING CAMEROON

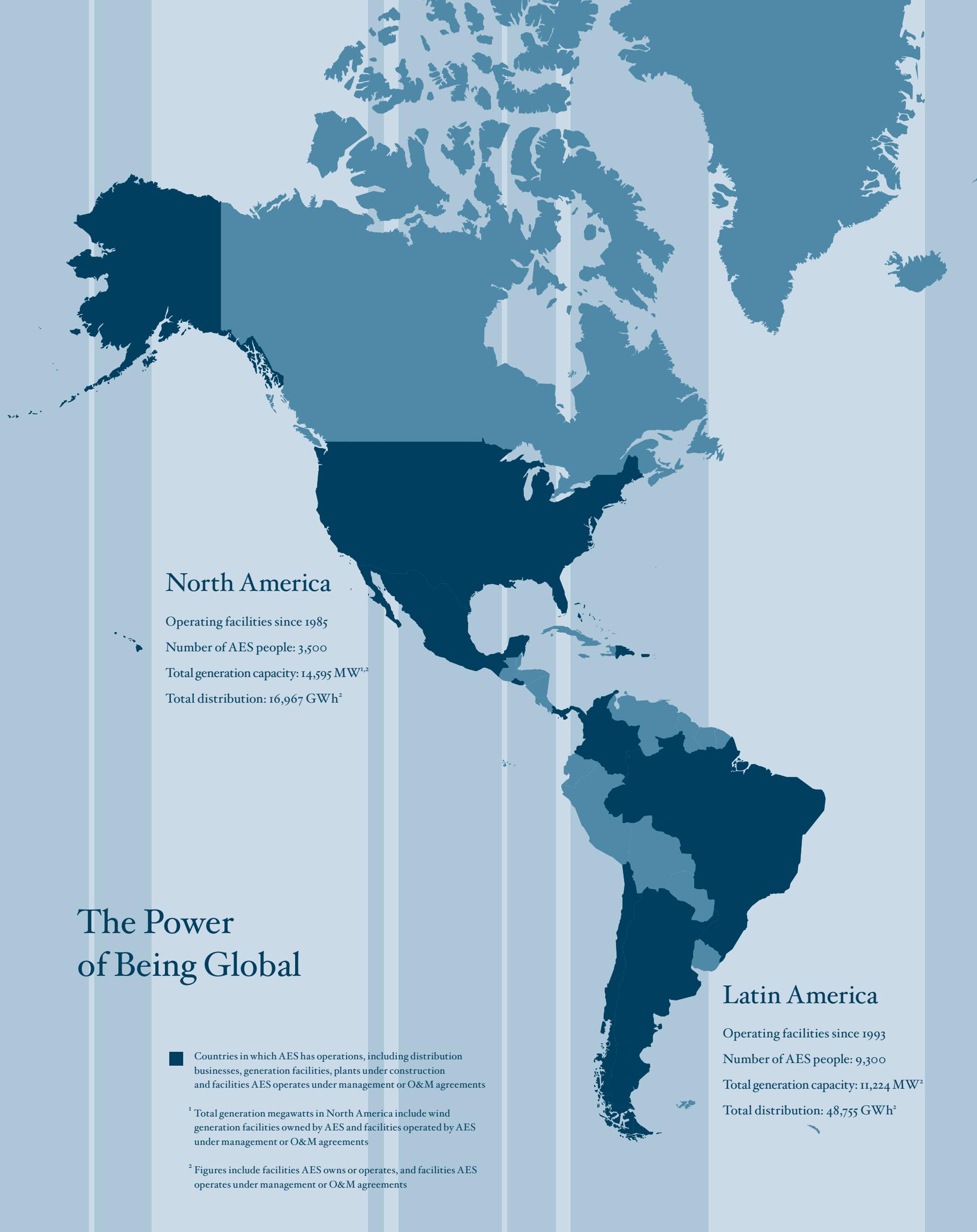
As an early mover in the African energy market, we know that expanding access to electricity is a key contributor to growth in this region of 18 million people comprised of over 130 ethnic groups and more than 240 dialects. We met our commitment to connect 50,000 new customers last year—and aim to connect up to a total of 750,000 customers by the year 2022. We also made it easier and more affordable for residential customers to get access to electricity by lowering rates, creating payment options that allow them to pay for the initial connection fee over a period of 12 months and simplifying the sign-up process.

SEEING SOLUTIONS THROUGH THE TREES

Twenty years ago, well before carbon credit offsets were considered a saleable commodity, AES initiated the voluntary planting of more than 20 million trees in Guatemala to mitigate emissions from our newly built power plant, AES Thames, in Connecticut.

Today, one of our businesses in Brazil continues that tradition. Over the past six years, AES Tietê has developed an advanced reforestation methodology that can be used to accelerate natural regeneration of deforested areas. In 2007, this effort was approved by the United Nations as a new Clean Development Mechanism. AES will soon begin implementing our new methodology by planting more than 10,000 hectares of indigenous species of trees around ten hydropower plants we operate in southeast Brazil, generating an estimated three million emissions reductions over the project’s life. The methodology can be replicated in other reforestation projects around the world.





North America

Operating facilities since 1985

Number of AES people: 3,500

Total generation capacity: 14,595 MW^{1,2}

Total distribution: 16,967 GWh²

The Power of Being Global

■ Countries in which AES has operations, including distribution businesses, generation facilities, plants under construction and facilities AES operates under management or O&M agreements

¹ Total generation megawatts in North America include wind generation facilities owned by AES and facilities operated by AES under management or O&M agreements

² Figures include facilities AES owns or operates, and facilities AES operates under management or O&M agreements

Latin America

Operating facilities since 1993

Number of AES people: 9,300

Total generation capacity: 11,224 MW²

Total distribution: 48,755 GWh²

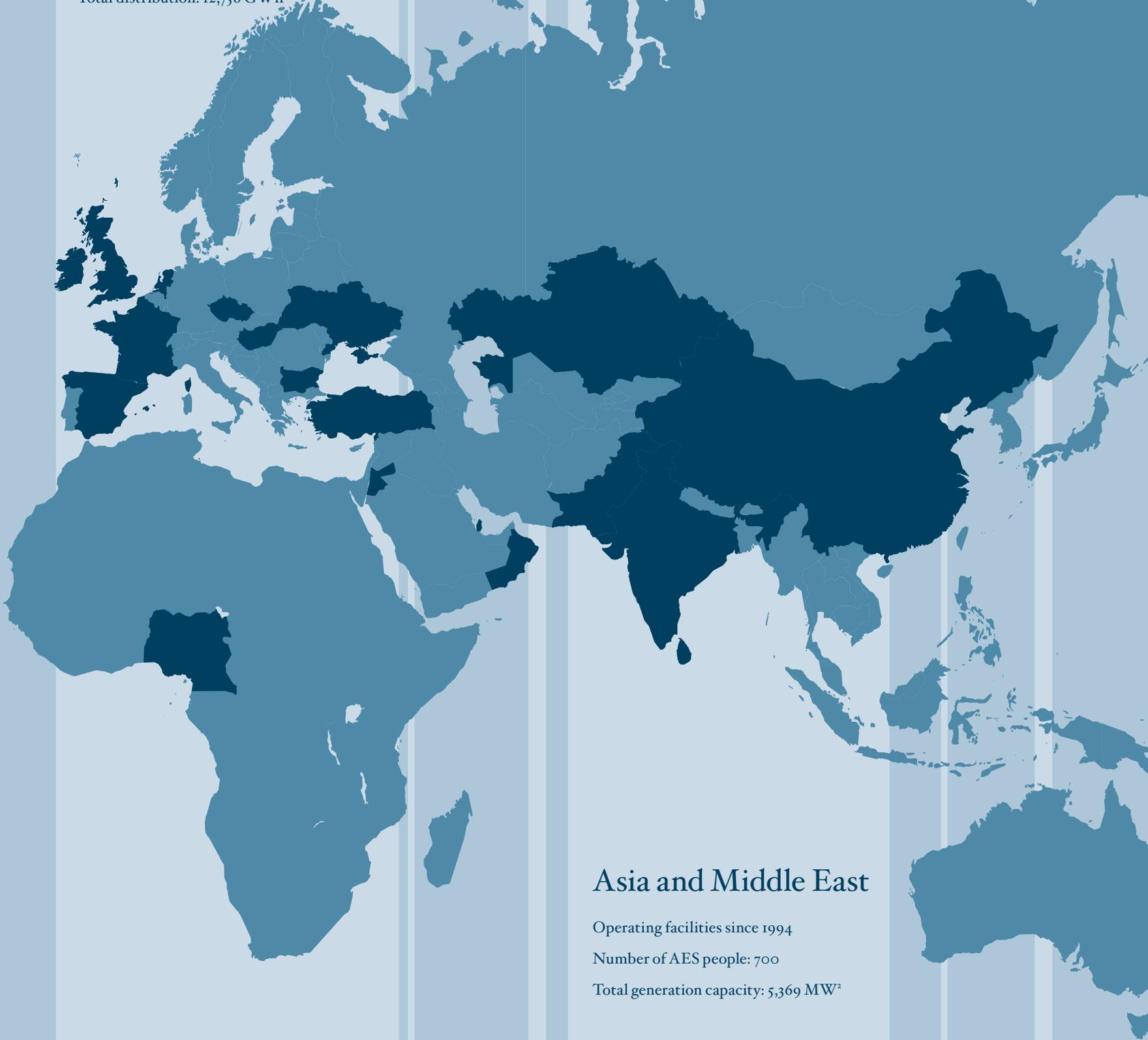
Europe, CIS and Africa

Operating facilities since 1992

Number of AES people: 14,500

Total generation capacity: 11,457 MW²

Total distribution: 12,756 GWh²



Asia and Middle East

Operating facilities since 1994

Number of AES people: 700

Total generation capacity: 5,369 MW²

AES Executive Office

Paul Hanrahan
President and CEO

Andrés Gluski
Executive Vice President and COO

Victoria Harker
Executive Vice President and CFO

David Gee
Executive Vice President and
President, North America

Ned Hall
Executive Vice President and
President, AES Wind Generation

Robert Hemphill
Executive Vice President

Jay Kloosterboer
Executive Vice President,
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Senior Vice President,
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Executive Vice President and
President, Latin America

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Director and Treasurer, the International Union
for the Conservation of Nature;
Advisor, African Development Bank and
the Global Fund to Fight AIDS, TB and Malaria;
former Managing Director, The World Bank

Tribute to Dick Darman

AES BOARD MEMBER 2002–2003

AES CHAIRMAN OF THE BOARD 2003–JANUARY 2008

Dick was a good friend and valued leader. He set an extraordinarily high standard for himself and for all of those around him. Dick challenged us to maximize our personal potential and the potential of AES, and we all benefited as a result. His belief in and enthusiasm for renewable energy helped set a new course and vision for AES. We will greatly miss Dick's friendship and guidance, but his legacy will live on through the impact he had on our business and the people with whom he worked.

We dedicate this year's annual report to Dick Darman, whose leadership, vision and stewardship at AES will long be remembered and appreciated.



COMPANY INFORMATION

AES CORPORATION

Corporate Office

AES Corporation
4300 Wilson Boulevard
Arlington, VA 22203
USA
703-522-1315

Website

www.aes.com

Stock Information

Common stock of the AES Corporation is traded on the New York Stock Exchange under the symbol AES.

AES
LISTED
NYSE

Number of Shareholders

As of December 31, 2007 there were approximately 6,528 AES shareholders of record and 670,339,855 shares of AES common stock outstanding.

Transfer Agent

AES Corporation has designated Computershare to be its transfer agent for AES common stock.

Please contact Computershare if you need assistance with lost or stolen AES stock certificates directly held by you, address changes, name changes and stock transfers.

By Mail:

Computershare
P.O. Box 43078
Providence, RI 02940-3078

By Overnight Delivery:

Computershare Investor Services
250 Royall Street
Canton, MA 02021

Calls inside the US:

781-575-2879

Calls outside the US:

781-575-2726

www.computershare.com

email: shareholder@computershare.com

Independent Auditors

Deloitte & Touche LLP

Investor Relations Information

Please visit the Investor Relations section of the AES website at www.aes.com, or you may contact a member of the AES Investor Relations team:

General: 703-682-6399 or invest@aes.com

Ahmed Pasha, Vice President,

Investor Relations: 703-682-6451

Michael Cranna, Director,

Investor Relations: 703-682-6334

General and Media Inquiries

Please contact Robin Pence, Vice President, Communications at 703-682-6552 or media@aes.com.

AES Code of Conduct

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

THIS PAGE:
Ceramic bowls in the Grand Bazaar,
Istanbul, Turkey; Girl at the ancient
Mayan city of Chichen Itza, Yucatan,
Mexico; Night sky, São Paulo, Brazil
BACK COVER:
Mountain valley, Alfalfal, Chile

AES is...

A global power and alternative energy company. With businesses in 28 countries on five continents, AES generates and distributes power with the capacity to serve 100 million people. We operate in a number of the world's fastest-growing markets and are continuing to expand into regions where we believe tomorrow's energy markets are rapidly emerging. Our 13 regulated utilities amass annual sales of over 73,000 GWh and our 121 generation facilities have the capacity to generate approximately 43,000 MW. Renewable sources of energy, which already comprise 20% of our capacity, and climate solutions are a growing part of our energy portfolio. AES's 28,000 people around the world are committed to operational excellence and meeting the growing global need for power.

