AES

the power of being global

ANNUAL REPORT 2009

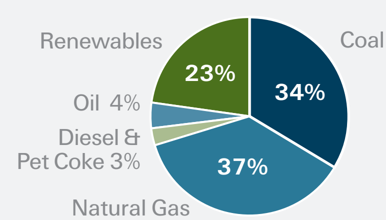
Cover photos, clockwise from left:

Ventanas | Chile | 338 MW | Coal
Amman | Jordan | 380 MW | Natural Gas
Murcia | Spain | 6 MW | Solar
Hulunbeier | China | 49.5 MW | Wind

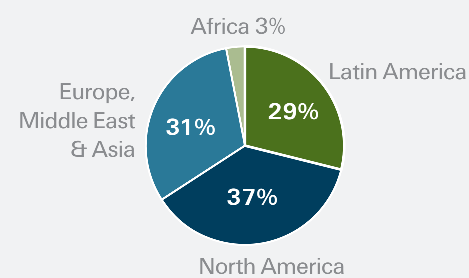
THE AES CORPORATION

is a global power company with generation and distribution businesses. Through our diverse portfolio of thermal and renewable energy sources, we strive to safely provide affordable and sustainable energy in 29 countries. We are committed to operational excellence and to meeting the world's growing energy needs.

Megawatts by Fuel Type



Megawatts by Geography



AES Global Business Portfolio

29 countries/5 continents:	AES Operations breadth
27,000:	AES global workforce
14:	AES regulated utilities
40,334 MW:	Total AES generation capacity in operation
78,164 GWh:	Electricity sold to AES customers

CHAIRMAN AND CEO LETTER TO AES SHAREHOLDERS

This past year AES achieved its key goals despite the myriad of challenges we faced, including one of the most difficult global economic environments in which we have ever operated. As a reflection of investors' concerns, the S&P 500 reached a multi-year year low in March and credit markets were extremely volatile throughout the year. In addition, the historic global market uncertainty in equities, foreign exchange, commodities, and other markets made hedging risk difficult and limited our commercial options. AES, like all companies, was impacted by this turmoil, and our stock price in 2009 reflected the turbulence of the overall market.

We responded quickly to the financial crisis by establishing a simple, focused and actionable plan. First, we set out to deliver on the operating and financial goals for the year. Second, we moved to improve the way we communicated the intrinsic value of our company to investors. Third, we took steps to ensure we were able to continue to grow, identifying alternate sources of capital to provide the funds necessary to invest in our future.

We are pleased to report that we accomplished all three of these goals in 2009.

Delivering Results

Our most important accomplishment was that we met our operating and financial goals in 2009. Despite weakening foreign currencies and lower commodity prices, we met our key financial targets. Operational improvements in Asia and Latin America helped offset unfavorable foreign currency movements and lower electricity pricing and demand in North America. In 2009, our Proportional Free Cash Flow[1] increased by 93 percent over 2008, to $899 million, and Consolidated Free Cash Flow[2] was $1.6 billion, an increase of 14 percent over 2008. We also achieved an all-time record for subsidiary distributions[3] to AES of $1.25 billion. An important contributor to our success was our drive to improve operations. We reduced our non-fuel operating and maintenance costs across all regions, which further helped drive our strong performance. In addition, we exceeded our cost savings target of $150 million.

Growing Capacity

During the year we brought 1,000 MW projects of new generating capacity into commercial operation in seven countries. The completion of these projects marked an important milestone in our growth plan, but each project also represented a significant achievement in its own right. In Jordan, for example, we brought a 380 MW combined cycle plant into operation, enabling the country to reach energy independence goals for the electricity sector. In renewable energy, our AES Wind Generation business brought 176 MW on-line in China, Europe and the United States. Our AES Solar Energy business expanded its presence in Europe with projects commencing construction or entering operations in Italy, France and Greece. In addition, we are now positioned to bring more than 1,400 MW of power projects on-line in 2010 and another 800 MW on-line in 2011 using a diverse range of energy sources and technologies.

Communicating Effectively

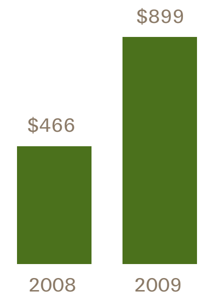
During this period of economic uncertainty, it was even more important to convey AES' value proposition. With more than 3,400 MW of fully funded projects in construction at the beginning of 2009, we wanted to provide greater visibility into our businesses that would come on-line through 2011. During our Investor Day in May, we introduced proportional metrics, such as Proportional Free Cash Flow,[1] in order to better reflect the economic value of our company. Because we do not own 100 percent of each of our businesses, some of which are joint ventures or publicly listed companies, these proportional metrics provide important information about our financial performance.

[1] See Note 1 on page 4 for definition and reconciliation.

[2] See Note 1 on page 4 for definition and reconciliation.

[3] See Note 2 on page 5 for definition.

Proportional Free Cash Flow
Dollars in millions



We believe that the performance of our stock price reflected, in part, our efforts to increase transparency and communication. Over the course of the year, AES' stock price increased 62 percent, outperforming both the United States utility sector, which increased 11 percent, and the S&P 500, which rose 26 percent.

Blueprint for 2010 and Beyond

During 2009, we focused on building a growth blueprint for the future. The first step was to prune the development pipeline in order to maintain those projects with the best returns and prospects for success. Next we had to identify sources of capital to fund the equity investments required for those projects. We succeeded in both of these efforts.

In our core power line of business (thermal power projects), we focused our development work on high growth markets such as Asia. We developed our pipeline of more than 4,000 MW, including coal-fired projects in India and Vietnam.

We also continued to pursue renewable projects (hydropower, wind, solar), given their increasingly important role in our strategy. AES Wind Generation developed a pipeline of more than 6,000 MW, of which 1,200 MW is in advanced development across the United States, Europe and China. AES Solar Energy expanded its advanced pipeline to more than 600 MW, focusing on Europe and to an increasing extent, the United States and India. We also continued to identify opportunities where we could pursue platform expansions from our core power into renewables. For example, in Bulgaria, where we are building a thermal facility, we developed and completed construction of a 156 MW wind project and commenced development of several solar opportunities.

In an environment characterized by extreme volatility in the capital markets, it would not have been possible to execute quickly against our development pipeline or search for new opportunities without alternative sources of capital. We pursued two primary routes to identify sources of funding for development pipelines.

First, to monetize value from our existing portfolio, we entered into agreements to sell our equity interests in our Pakistan and Oman facilities for approximately $200 million. While these had been extremely good businesses for AES, and it was difficult for us to consider selling, the valuations were compelling. And second, in November, we entered into an agreement with China's sovereign wealth fund, the China Investment Corporation (CIC), to purchase new shares for $1.58 billion. Following receipt of all approvals, CIC will own approximately 15 percent of AES' common equity. This investment will provide us with the capital we need to invest in our pipeline of development projects and to pursue value accretive acquisitions. It will also strengthen our ties to Asia, where the majority of growth in demand for new generation capacity is expected to occur over the next few decades.

Having met our financial and operational goals in 2009, we are well positioned to pursue attractive opportunities that will continue to drive our growth beyond 2011. As we strive to deliver affordable and sustainable power across the globe, serve our millions of customers and reward our shareholders, we thank you for your continued support.

Phil Odeen
Chairman of the Board
February 26, 2010

Paul Hanrahan
President and Chief Executive Officer
February 26, 2010

Note 1: Non-GAAP Financial Measures Reconciliation (Unaudited)

($ in millions, except per share amounts)	Year Ended December 31, 2009	2008
Reconciliation of Adjusted Earnings Per Share [1]		
Diluted EPS From Continuing Operations	**$ 1.09**	**$ 1.76**
Derivative Mark-to-Market (Gains)/Losses	0.02	0.05
Currency Transaction (Gains)/Losses	(0.05)	0.16
Disposition/Acquisition (Gains)/Losses	(0.19) [2]	(1.27) [3]
Impairment Losses	0.21 [4]	0.13 [5]
Debt Retirement (Gains)/Losses	—	0.25 [6]
Adjusted Earnings Per Share [1]	**$ 1.08**	**$ 1.08**
Calculation of Maintenance Capital Expenditures for Free Cash Flow [7]		
Reconciliation Below:		
Maintenance Capital Expenditures, excluding environmental	$ 567	$ 683
Environmental Capital Expenditures	55	97
Growth Capital Expenditures	1,916	2,117
Total Capital Expenditures	**$ 2,538**	**$ 2,897**
Reconciliation of Proportional Operating Cash Flow [8]		
Consolidated Operating Cash Flow	$ 2,213	$ 2,161
Less: Proportional Adjustment Factor	876	1,135
Proportional Operating Cash Flow [8]	**$ 1,337**	**$ 1,026**
Reconciliation of Free Cash Flow [7]		
Net Cash from Operating Activities	$ 2,213	$ 2,161
Less: Maintenance Capital Expenditures, excluding environmental	567	683
Less: Environmental Capital Expenditures	55	97
Free Cash Flow [7]	**$ 1,591**	**$ 1,381**
Reconciliation of Proportional Free Cash Flow [7],[8]		
Proportional Net Cash from Operating Activities	$ 1,337	$ 1,026
Less: Proportional Maintenance Capital Expenditures	438	560
Proportional Free Cash Flow [7],[8]	**$ 899**	**$ 466**
Reconciliation of Proportional Gross Margin [8]		
Consolidated Gross Margin	$ 3,495	$ 3,632
Less: Proportional Adjustment Factor	1,450	1,358
Proportional Gross Margin [8]	**$ 2,045**	**$ 2,274**

(1) Adjusted earnings per share (a non-GAAP financial measure) is defined as diluted earnings per share from continuing operations excluding gains or losses of the consolidated entity due to (a) mark-to-market amounts related to derivative transactions, (b) unrealized foreign currency gains or losses, (c) significant gains or losses due to dispositions and acquisitions of business interests, (d) significant losses due to impairments, and (e) costs due to the early retirement of debt. AES believes that adjusted earnings per share better reflects the underlying business performance of the Company, and is considered in the Company's internal evaluation of financial performance. Factors in this determination include the variability due to mark-to-market gains or losses related to derivative transactions, currency gains or losses, losses due to impairments and strategic decisions to dispose or acquire business interests or retire debt which affect results in a given period or periods. Adjusted earnings per share should not be construed as an alternative to diluted earnings per share, which is determined in accordance with GAAP.

(2) Amount includes: Kazakhstan gain of $98 million, or $0.15 per share, related to the termination of a management agreement as well as a gain of $13 million, or $0.02 per share, related to the reversal of a withholding tax contingency. In addition, there was a gain on sale associated with the shutdown of the Hefei plant in China of $14 million, or $0.02 per share. There was no income tax impact associated with any of these transactions.

(3) Amount includes: Net gain on Kazakhstan sale of $905 million or $1.31 per share, and net loss on sale of subsidiary interests in Gener of $31 million, or $0.04 per share.

(4) Amount includes: Goodwill impairments at Kilroot of $118 million or $0.18 per share and in the Ukraine of $4 million or $0.01 per share; write-off of development project costs in Latin America and Asia of $19 million ($11 million net of noncontrolling interest, or $0.01 per share) and a non-taxable impairment of the Company's investment in coal to gas technology of $10 million or $0.01 per share. There is no income tax impact associated with any of these transactions.

(5) Amount includes: Impairment charges primarily associated with development projects in North America of $75 million ($34 million net of noncontrolling interest and income taxes or $0.06 per share); Uruguaiana asset write down of $36 million ($17 million net of noncontrolling interest or $0.02 per share); South Africa peaker development cost write-off of $31 million ($28 million net of income taxes or $0.04 per share) and an impairment of the Company's investment in coal to gas technology of $10 million or $0.01 per share.

(6) Amount includes: $55 million ($34 million net of income taxes or $0.05 per share) loss on the retirement of Parent Company debt; $131 million or $0.19 per share, which represented the tax impact on the repatriation of a portion of the Kazakhstan sale proceeds that were used to fund the early retirement of Parent Company debt; and $14 million ($9 million net of income taxes or $0.01 per share) of debt refinancing at IPALCO.

(7) Free cash flow (a non-GAAP financial measure) is defined as net cash from operating activities less maintenance capital expenditures (including environmental capital expenditures). AES believes that free cash flow is a useful measure for evaluating our financial condition because it represents the amount of cash provided by operations less maintenance capital expenditures as defined by our businesses, that may be available for investing or for repaying debt.

(8) The AES Corporation (the "Company") is a holding company that derives its income and cash flows from the activities of its subsidiaries, some of which may not be wholly-owned by the Company. Accordingly, the Company has presented certain financial metrics which are defined as Proportional (a non-GAAP financial measure). Proportional metrics present the Company's estimate of its share in the economics of the underlying metric. The Company believes that the Proportional metrics are useful to investors because they exclude the economic share in the metric presented that is held by non-AES shareholders. For example, Operating Cash Flow is a GAAP metric which presents the Company's cash flow from operations on a consolidated basis, including operating cash flow allocable to noncontrolling interests. Proportional Operating Cash Flow removes the share of operating cash flow allocable to noncontrolling interests and therefore may act as an aid in the valuation the Company. Proportional metrics are reconciled to the nearest GAAP measure. Certain assumptions have been made to estimate our proportional financial measures. These assumptions include: (i) the Company's economic interest has been calculated based on a blended rate for each consolidated business when such business represents multiple legal entities; (ii) the Company's economic interest may differ from the percentage implied by the recorded net income or loss attributable to noncontrolling interests or dividends paid during a given period; (iii) the Company's economic interest for entities accounted for using the hypothetical liquidation at book value method is 100%; (iv) individual operating performance of the Company's equity method investments is not reflected and (v) all intercompany amounts have been excluded as applicable.

Note 2: Definition of Subsidiary Distributions

Subsidiary Distributions should not be construed as an alternative to Net Cash Provided by Operating Activities which is determined in accordance with GAAP. Subsidiary Distributions are important to the Parent Company because the Parent Company is a holding company that does not derive any significant direct revenues from its own activities but instead relies on its subsidiaries' business activities and the resultant distributions to fund the debt service, investment and other cash needs of the holding company. The reconciliation of difference between the Subsidiary Distributions and Net Cash Provided by Operating Activities consists of cash generated from operating activities that is retained at the subsidiaries for a variety of reasons which are both discretionary and non-discretionary in nature. These factors include, but are not limited to, retention of cash to fund capital expenditures at the subsidiary, cash retention associated with non-recourse debt covenant restrictions and related debt service requirements at the subsidiaries, retention of cash related to sufficiency of local GAAP statutory retained earnings at the subsidiaries, retention of cash for working capital needs at the subsidiaries, and other similar timing differences between when the cash is generated at the subsidiaries and when it reaches the Parent Company and related holding companies.

AES Executive Office

Paul Hanrahan
President and Chief Executive Officer

Andrés Gluski
Executive Vice President,
Chief Operating Officer and
Acting President, Europe, Middle East and Asia

Victoria Harker
Executive Vice President and
Chief Financial Officer

Brian Miller
Executive Vice President, General Counsel and Corporate Secretary

Richard Santoroski
Vice President, Global Risk and Commodity Organization

AES Board of Directors

Philip A. Odeen (Chairman)
Non-Executive Chairman, Convergys Corporation; former Chairman, Avaya Inc, Reynolds and Reynolds Company, and TRW Inc.; President and Chief Executive Officer, BDM

Samuel W. Bodman
Former Secretary of Energy;
former President and Chief Operating Officer, Fidelity Investments; former Chairman, Chief Executive Officer and Director, Cabot Corporation

Paul Hanrahan
President and Chief Executive Officer, The AES Corporation

Tarun Khanna
Jorge Paulo Lemann Professor at the Harvard Business School

John A. Koskinen
Non-Executive Chairman, Freddie Mac; former President, the U.S. Soccer Foundation; former Deputy Mayor and City Administrator, the District of Columbia; former President and Chief Executive Officer, The Palmieri Company

Philip Lader
Chairman, WPP Group plc; Senior Advisor, Morgan Stanley; former U.S. Ambassador to the Court of St. James's

Sandra Moose
President, Strategic Advisory Services LLC; Chairperson of the Board of Trustees, Natixis and Loomis Sayles Funds; former Senior Vice President and Director, The Boston Consulting Group

John B. Morse
Retired Senior Vice President Finance and CFO Washington Post Company; former Partner Price Waterhouse (now PricewaterhouseCoopers); and President of the College Foundation of The University of Virginia

Charles O. Rossotti
Senior Advisor, The Carlyle Group; former Commissioner, the IRS; former Founder and Chairman, American Management Systems, Inc.

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

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Company Information

Corporate Office

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

Website

www.aes.com

Stock Information

Common stock of The AES Corporation trades under the symbol AES and is proud to meet the listing requirements of the NYSE, the world's leading equities market.

AES LISTED

Number of Shareholders

As of December 31, 2009 there were approximately 7,349 AES shareholders of record and 667,679,913 shares of AES common stock outstanding.

Transfer Agent

The AES Corporation has designated Computershare Investor Services ("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 and overnight delivery:
Computershare Investor Services
250 Royall Street
Canton, MA 02021
781-575-2879
www.computershare.com

Independent Auditors

Ernst & Young 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

Media Inquiries

General: 703-682-1262 or
media@aes.com
Meghan Dotter, Director,
External Communications:
703-682-6670

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 Conduct, which is available at our website.

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