AES CORP
Form 424B3
December 19, 2007

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Filed Pursuant to Rule 424(b)(3)
Registration No. 333-147951

PROSPECTUS

The AES Corporation

OFFER TO EXCHANGE
Unregistered 7.75% Senior Notes due 2015
($500,000,000 aggregate principal amount issued October 15, 2007)
for
7.75% Senior Notes due 2015
that have been registered under the Securities Act of 1933
and
Unregistered 8.0% Senior Notes due 2017
($1,500,000,000 aggregate principal amount issued October 15, 2007)
for
8.0% Senior Notes due 2017
that have been registered under the Securities Act of 1933

TERMS OF EXCHANGE OFFER

The exchange offer will expire at 12:00 p.m., midnight, New York City time, on January 18, 2008, unless we extend the offer.

Tenders of outstanding unregistered notes may be withdrawn at any time before 12:00 p.m., midnight, on the date of expiration of the exchange offer.

All outstanding unregistered notes that are validly tendered and not validly withdrawn will be exchanged.

The terms of the exchange notes to be issued are substantially similar to the unregistered notes, except for being registered under the Securities Act of 1933 (the "Securities Act") and not having any transfer restrictions, registration rights or rights to additional interest.

The exchange of notes will not be a taxable exchange for U.S. federal income tax purposes.

We will not receive any proceeds from the exchange offer.

Please see "Risk Factors" beginning on page 13 for a discussion of certain factors you should consider in connection with the exchange offer.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the senior securities to be distributed in the exchange offer, nor have any of these organizations determined that this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is December 19, 2007

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. You should assume that the information contained in this prospectus is accurate only as of the date of this prospectus. Our business, financial condition, results of operations and prospects may have changed since then. We are not making an offer of the notes in any jurisdiction where the offer is not permitted.

Unless the context otherwise requires, references to "AES," "we," "us" and "our" in this prospectus are references to The AES Corporation, including all of its consolidated subsidiaries and affiliates. The term "The AES Corporation" or "parent company" refers only to the parent, publicly held holding company, The AES Corporation, excluding its subsidiaries and affiliates. References to "$" and "dollars" are to United States dollars.

This prospectus will refer to the 7.75% senior notes due 2015 issued on October 15, 2007 as the "unregistered 2015 notes", and the 8.0% senior notes due 2017 issued on October 15, 2007 as the "unregistered 2017 notes", and collectively as the "unregistered notes." This prospectus will refer to the registered 7.75% senior notes due 2015 as the "exchange 2015 notes," and the registered 8.0% senior notes due 2017 as the "exchange 2017 notes," and collectively as the "exchange notes." The unregistered 2015 notes and the exchange 2015 notes are collectively referred to as the "2015 notes," and the unregistered 2017 notes and the exchange 2017 notes are collectively referred to as the "2017 notes." The unregistered notes and the exchange notes are collectively referred to as the "notes."

Each holder of an unregistered note wishing to accept the exchange offer must deliver the unregistered notes to be exchanged, together with the letter of transmittal that accompanies this prospectus and any other required documentation, to the exchange agent identified in this prospectus. Alternatively, you may effect a tender of unregistered notes by book-entry transfer into the exchange agent's account at The Depository Trust Company ("DTC"). All deliveries are at the risk of the holder. You can find detailed instructions concerning delivery in the section called "The Exchange Offer" in this prospectus and in the accompanying letter of transmittal.

If you are a broker-dealer that receives exchange notes for your own account you must acknowledge that you will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of the exchange notes. The letter of transmittal accompanying this prospectus states that by so acknowledging and by delivering a prospectus, you will not be deemed to admit that you are an "underwriter" within the meaning of the Securities Act. You may use this prospectus, as we may amend or supplement it in the future, for your resales of exchange notes. We will make this prospectus available to any broker-dealer for use in connection with any such resale for a period of 90 days after the date of expiration of this exchange offer or such shorter period which will terminate when the broker-dealers have completed all resales subject to applicable prospectus delivery requirements.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this prospectus that are not purely historical are forward-looking statements concerning our expectations, beliefs, plans, objectives, goals, strategies, and future events or performance. Although we believe that these forward-looking statements and the underlying assumptions are reasonable, we cannot assure you that they will prove to be correct. Forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied in our forward-looking statements. In addition to the factors described under "Risk Factors" in this prospectus, some of these factors include:

- our ability to achieve expected rate increases in our Utility businesses;
- our ability to manage our operation and maintenance costs;
- the performance and reliability of our generating plants, including our ability to reduce unscheduled down-times;
- changes in the price of electricity at which our Generation businesses sell into the wholesale market and our Utility businesses purchase to distribute to their customers, and our ability to hedge our exposure to such market price risk;
- changes in the prices and availability of coal, gas and other fuels and our ability to hedge our exposure to such market price risk, and our ability to meet credit support requirements for fuel and power supply contracts;
- changes in and access to the financial markets, particularly those affecting the availability and cost of capital in order to refinance existing debt and finance capital expenditures, acquisitions, investments and other corporate purposes;
- changes in our or any of our subsidiaries' corporate credit ratings or the ratings of our or any of our subsidiaries' debt securities or preferred stock, and changes in the rating agencies' ratings criteria;
- changes in inflation, interest rates and foreign currency exchange rates;
- our ability to purchase and sell assets at attractive prices and on other attractive terms;

- our ability to locate and acquire attractive "greenfield" projects and our ability to finance, construct and begin operating our "greenfield" projects on schedule and within budget;

- the expropriation or nationalization of our businesses or assets by foreign governments, whether with or without adequate compensation;

- changes in laws, rules and regulations affecting our business, including, but not limited to, deregulation of wholesale power markets and its effects on competition, the ability to recover net utility assets and other potential stranded costs by our utilities, the establishment of a regional transmission organization that includes our utility service territory, the application of market power criteria by the Federal Energy Regulatory Commission ("FERC"), changes in law resulting from new federal energy legislation, including the effects of the repeal of Public Utility Holding Company Act ("PUHCA"), and changes in political or regulatory oversight or incentives affecting our alternative energy businesses, including tax incentives;

- changes in environmental, tax and other laws, including requirements for reduced emissions of sulfur nitrogen, carbon, mercury, and other substances;

- the economic climate, particularly the state of the economy in the areas in which we operate;

- variations in weather, especially mild winters and cooler summers in the areas in which we operate, and the occurrence of hurricanes and other storms and disasters;

- our ability to meet our expectations in the development, construction, operation and performance of our alternative energy businesses, which rely, in part, on actual wind volumes in areas affecting our existing and planned wind farms performing consistently with our expectations, and actual wind turbine performance operating consistently with our expectations, the continued attractiveness of market prices for carbon offsets under markets governed by the Kyoto Protocol, and consistent and orderly regulatory procedures governing the application, regulation, issuance of Certified Emission Reduction ("CER") credits and the extension of such regulations beyond 2012;

- our ability to keep up with advances in technology;

- the potential effects of threatened or actual acts of terrorism and war;

- changes in tax laws and the effects of our strategies to reduce tax payments;

- the effects of litigation and government investigations;

- changes in accounting standards, corporate governance and securities law requirements;

- our ability to remediate and compensate for the material weaknesses in our internal controls over financial reporting; and

- our ability to attract and retain talented directors, management and other personnel, including, but not limited to, financial personnel in our foreign businesses that have extensive knowledge of United States Generally Accepted Accounting Principles ("GAAP").

In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. Except to the extent required by the federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

SUMMARY

This summary highlights selected information from this prospectus. It may not contain all of the information that is important to you. We urge you to read carefully the entire prospectus and the other documents to which it refers to understand fully the terms of the exchange notes. Unless the context otherwise requires, the terms "AES," "we," "our," "us," and "the Company" refer to The AES Corporation, including all of its subsidiaries and affiliates, collectively.

The Company

We are a global power holding company and through our subsidiaries, we operate a portfolio of electricity generation and distribution businesses and investments on five continents and in 28 countries. We operate two main types of businesses. The first is our distribution and transmission business, which we refer to as Utilities, in which we operate electric utilities and sell power to customers in the retail (including residential), commercial, industrial and governmental sectors. These customers are typically end-users of electricity. The second is our Generation business, where we sell power to wholesale customers such as utilities or other intermediaries. In addition to our traditional generation and distribution operations, we are also developing an alternative energy business. The revenues and earnings growth of both our Utilities and Generation businesses vary with changes in electricity demand.

Our Utilities business consists primarily of 15 distribution companies owned or operated under management agreements in eight countries with over 11 million end-user customers. All of these companies operate in a defined service area. This segment is composed of:

- integrated utilities located in:
  - The United States Indianapolis Power & Light ("IPL"),
  - Cameroon AES SONEL.
- distribution companies located in:
  - Brazil AES Eletropaulo and AES Sul,
  - Argentina Empresa Distribuidora La Plata S.A. ("EDELAP") and Empresa Distribuidora de Energia Sure ("EDES"),
  - Dominican Republic EDE Este,
  - El Salvador Compañia de Alumbrado Eléctrico de San Salvador, S.A. de C.V. ("CAESS"), Compania, S. En C. de C.V. ("AES CLESA"), Distribuidora Electrica de Usulutan, S.A. de C.V. ("DEUSEM") and Empresa Electrica de Oriente ("EEO"),
  - Kazakhstan Eastern Kazakhstan REC and Ust Kamenogorsk Heat Nets, and
  - Ukraine Kievoblenergo and Rivneenergo.

Performance drivers for these businesses include, among other things, reliability of service, management of working capital, negotiation of tariff adjustments, compliance with extensive regulatory requirements and, in developing countries, reduction of commercial and technical losses.

Utilities face relatively little direct competition due to significant barriers to entry which are present in these markets. In this segment, we primarily face competition in our efforts to acquire businesses. We compete against a number of other participants, some of which have greater financial resources, have been engaged in distribution related businesses for periods longer than we have, and have accumulated more significant portfolios. Relevant competitive factors for Utilities include financial resources, governmental assistance, regulatory restrictions and access to non-recourse financing. In certain locations, our utilities face increased competition as a result of changes in laws and regulations which allow wholesale and retail services to be provided on a competitive basis. We can provide no assurance that deregulation will not adversely affect the future operations, cash flows and financial condition of our Utilities business. The results of operations of our Utilities business are sensitive to changes in economic growth and regulation, abnormal weather conditions in the area in which they operate, as well as the success of the operational changes that have been implemented (especially in emerging markets).

In our Generation business we generate and sell electricity primarily to wholesale customers. Performance drivers for our Generation business include, among other things, plant reliability, fuel costs and fixed-cost management. Growth in this business is largely tied to securing new power purchase agreements, expanding capacity in our existing facilities and building new power plants. Our Generation business includes our interests in 97 power generation facilities owned or operated under management agreements totaling 37 gigawatts of capacity installed in 22 countries.

Approximately 68% of the revenues from our Generation business are from plants that operate under power purchase agreements of five years or longer for 75% or more of the output capacity. These long-term contracts reduce the risk associated with volatility in the market price for electricity. We also reduce our exposure to fuel supply risks by entering into long-term fuel supply contracts or through fuel tolling contracts where the customer assumes full responsibility for purchasing and supplying the fuel to the power plant. As a result of these contractual agreements, these facilities have relatively predictable cash flows and earnings. These facilities face most of their competition prior to the execution of a power sales agreement, often during the development phase of a project or upon expiration of an existing agreement. Our competitors for these contracts include other independent power producers and equipment manufacturers, as well as various utilities and their affiliates. During the operational phase, we traditionally have faced limited competition due to the long-term nature of the generation contracts. However, since competitive power markets have been introduced and new market participants have been added, we have and will continue to encounter increased competition in attracting new customers and maintaining our current customers as our existing contracts expire.

The balance of our Generation business sells power through competitive markets under short term contracts or directly in the spot market. As a result, the cash flows and earnings associated with these facilities are more sensitive to fluctuations in the market price for electricity, natural gas, coal and other fuels. However, for a number of these facilities, including our plants in New York, which include a fleet of low-cost coal fired plants, we have hedged the majority of our exposure to fuel, energy and emissions pricing for the next several years. These facilities compete with numerous other independent power producers, energy marketers and traders, energy merchants, transmission and distribution providers and retail energy suppliers. Competitive factors for these facilities include price, reliability, operational cost and third party credit requirements.

As described above, AES operates within two primary businesses, the generation of electricity and the distribution of electricity. AES previously reported its financial results in three business segments: contract generation, competitive supply and regulated utilities. As of December 31, 2006, we have changed the definition of our segments in order to report information by geographic region and by line of business. We believe this change more accurately reflects the manner in which we manage the Company.

Our businesses include Utilities and Generation within four defined geographic regions: (1) North America, (2) Latin America, (3) Europe, CIS and Africa, which we refer to as "Europe & Africa" and (4) Asia and the Middle East, which we refer to as "Asia". Three regions, North America, Latin America and Europe & Africa, are engaged in both our Generation and Utility businesses. Our Asia region only has Generation businesses. Accordingly, these businesses and regions account for seven segments. "Corporate and Other" includes corporate overhead costs which are not directly associated with the operations of our seven primary operating segments; interest income and expense; other intercompany charges such as management fees and self-insurance premiums which are fully eliminated in consolidation; and development and operational costs related to our Alternative Energy business which is currently not material to our presentation of operating segments. Under AES's Alternative Energy group, AES operates 1,015 MW of wind generation in the United States.

Our goal is to continue building on our traditional lines of business, while expanding into other essential energy-related areas. We believe that this is a natural expansion for us. As we move into new lines of business, we will leverage the competitive advantages that result from our unique global footprint, local market insights and our operational and business development expertise. We also will build on our existing capabilities in areas beyond power including greenhouse gas emissions offset projects, electricity transmission, water desalination, and other businesses. As we continue to expand and grow our business, we will maintain a focus on efforts to improve our business operations and management processes, including our internal controls over financial reporting.

Our business strategy is focused on global growth in our core generation and utilities businesses along with growth in related markets such as alternative energy, electricity transmission and water desalination. We continue to emphasize growth through "greenfield" development, platform expansion, privatization of government-owned assets, and mergers and acquisitions and continue to develop and maintain a strong development pipeline of projects and opportunities. The Company sees growth investments as the most significant contributor to long-term shareholder value creation. The Company's growth strategies are complemented by an increased emphasis on portfolio management through which AES has and will continue to sell or monetize a portion of certain businesses or assets when market values appear significantly higher than the Company's own assessment of value in the AES portfolio.

Underpinning this growth focus is an operating model which benefits from a diverse power generation portfolio that is largely contracted, reducing fuel cost and demand risks, and from an electric utility portfolio heavily weighted to faster-growing emerging markets.

The Company believes that success with its business development activities will be the single most important factor in its financial success in terms of value creation and it is directing increasing resources in support of business development globally. The Company also believes that high oil prices, increasing regulation of greenhouse gases, faster than expected global economic growth and a weak dollar present opportunities for value creation, based on the Company's current business portfolio and business strategies. Slower global economic growth, which will impact demand growth for utilities and some generation businesses, is one of the most significant downside scenarios affecting value creation. Other important scenarios that could impair future value include low oil prices and a strong dollar.

Beginning with our annual report on Form 10-K, as amended for the year ended December 31, 2006, we realigned our reportable segments. We previously reported under three segments: Regulated Utilities, Contract Generation and Competitive Supply. We currently report seven segments, which include:

- Latin America Generation;
- Latin America Utilities;
- North America Generation;
- North America Utilities;
- Europe & Africa Generation;
- Europe & Africa Utilities; and
- Asia Generation

The new segment reporting more accurately reflects how we view and manage the Company internally in terms of decision making and assessing performance. We manage our business primarily on a geographic basis in two distinct lines of business the generation of electricity and the distribution of electricity. These businesses are distinguished by the nature of the customers, operational differences, cost structure, regulatory environment and risk exposure.

Latin America

Our Latin American operations accounted for 63%, 61% and 55% of consolidated revenues in 2006, 2005, and 2004, respectively. AES began operating in Latin America in 1993 when it acquired the CTSN power plant in Argentina. Since that time, AES has expanded its presence in the region and now has operations in eight Latin American countries. These operations include a total of 48 generation plants owned and operated under management agreements with a total generating capacity of 11,224 MW. AES owns and operates eight utilities, distributing a total of 45,785 GWh, in addition to operating one utility under management agreement, which distributes 1,626 GWh to customers.

Latin American Generation

Our Generation business in Latin America consists of 48 generation facilities with the capacity to generate 11,224 MW. This capacity includes our new 125 MW Los Vientos diesel-fired peaking facility, which came on line in January, 2007 and serves the largest power market in Chile. AES also has two coal plants under construction in Chile, Guacolda III and Ventanas III with 152 MW and 267 MW generation capacity respectively, and one plant under construction in Panama, the Changuinola hydro plant with 223 MW capacity.

Latin American Utilities

We own eight Utility businesses, including electricity distribution businesses located in Argentina (EDELAP and EDES), Brazil (AES Eletropaulo and AES Sul) and El Salvador (CAESS, AES CLESA, DEUSEM and EEO). Another Utility business, La Electricidad de Caracas ("EDC") was sold in May 2007. We also manage another utility under contract in the Dominican Republic. These businesses sell electricity under regulated tariff agreements and each has transmission and distribution capabilities. AES Eletropaulo, serving the São Paulo, Brazil area for over 100 years, has over five million customers and is the largest electricity distribution company in Brazil in terms of revenues and electricity distributed. Pursuant to its concession contract, AES Eletropaulo is entitled to distribute electricity in its service area until 2028. AES Eletropaulo's service territory consists of 24 municipalities in the greater São Paulo metropolitan area and adjacent regions that account for approximately 15% of Brazil's GDP and 44% of the population in the State of São Paulo, Brazil.

North America

Our North American operations accounted for 25%, 26% and 29% of consolidated revenues in 2006, 2005 and 2004, respectively. AES began operating in North America in 1985, when it developed its first power plant in Deepwater, Texas. Since then AES has grown its North America business and currently owns a total of 21 generation facilities with 9,892 MW generating capacity and one integrated utility, distributing approximately 16,287 GWh of electricity to customers with 3,599 MW of generation capacity.

North American Generation

In North America, we have 21 generation facilities, including seven gas-fired plants, ten coal-fired plants, three petroleum coke-fired plants and one biomass-fired plant, in the United States, Puerto Rico and Mexico.

North American Utilities

We have one integrated utility in North America, IPL, which we own through IPALCO Enterprises Inc. ("IPALCO"), the parent holding company of IPL. IPL is engaged in generating, transmitting, distributing and selling electric energy to more than 465,000 customers in the city of Indianapolis and neighboring areas within the state of Indiana. IPL also owns and operates four generation facilities. Two generating facilities are primarily coal-fired plants. The third facility has a combination of units that use coal (base load capacity) and natural gas and/or oil (peaking capacity). The fourth facility is a small peaking station that uses gas-fired combustion turbine technology. IPL's gross generation capability is 3,599 MW.

Europe & Africa

Our operations in Europe & Africa accounted for 12%, 12% and 13% of our consolidated revenues in 2006, 2005 and 2004, respectively. AES began operations in Europe & Africa in 1992, when we acquired the AES Kilroot power plant in Northern Ireland. Since that time, AES has grown in this region and now has a presence in 11 countries. AES's operations in the region now include a total of 15 generation plants owned or operated under management agreements with a total of 10,530 MW generation capacity. AES owns and operates three utilities, distributing a total of 8,960 GWh with 927 MW of capacity. In addition, AES operates two utilities under management agreement in the region, which distribute a total of 2,096 GWh.

Europe & Africa Generation

We own 13 generation facilities in Europe & Africa, and operate two additional generation facilities under management contract in Kazakhstan. These generation facilities have the capacity to generate 10,530 MW. In 2006, we began commercial operation of AES Cartagena, our first power plant in Spain with 1,200 MW capacity. AES Maritza East 1 is a 670 MW lignite-fired power plant currently under construction in Bulgaria.

Europe & Africa Utilities

We own three Utility businesses in Europe & Africa, including an integrated utility in Cameroon (AES SONEL) and two distribution businesses in Ukraine (Kievoblenergo and Rivneenergo). AES acquired a 56% interest in AES SONEL in 2001. AES SONEL generates, transmits and distributes electricity to approximately 538,000 customers. AES SONEL has an installed generating capacity of 927 MW, and a small plant under construction. Our two distribution businesses in Ukraine serve over 1.2 million customers, while the two distribution businesses we operate under management agreements in Kazakhstan together serve over 554,000 customers.

Asia

Our Asian operations accounted for 7%, 6% and 7% of consolidated revenues in 2006, 2005 and 2004, respectively. AES began operations in Asia in 1994 when we acquired the Cili power plant in China. Since that time AES's Generation business has expanded and it now operates 13 power plants with a total capacity of 5,369 MW in six countries. AES only operates generation facilities in Asia.

Asia Generation

We have 13 generation facilities with the capacity to generate 5,369 MW. Over half of our facilities and capacity are located in China, where AES joined with Chinese partners to build Yangcheng, the first "coal-by-wire" power plant with the capacity of 2100 MW. In 2000, AES was selected by the Sultanate of Oman to build, own and operate a 456 MW and 20 MIGD combined power and desalinated water facility, which achieved commercial operations in 2003. In 2001, AES was awarded the right to build, own and operate for 25 years a 756 MW and 40 MIGD combined power and desalinated water facility, the first such facility to be awarded to the private sector in Qatar. This facility commenced commercial operations in 2004. AES also owns and operates two oil-fired facilities in Pakistan (Lal Pir and Pak Gen), which have been in operations for the last nine years. In India, AES acquired a 420 MW coal-fired power plant (OPGC) in 1998. In Sri Lanka, we own a 168 MW diesel-fired power plant that began commercial operations in 2003. AES Amman East is a 370 MW combined-cycle gas power plant under construction in Jordan.

Recent Developments

We made an offer to purchase for cash up to $1.24 billion aggregate principal amount of our 8.75% Senior Notes due 2008 (the "2008 Notes"), the 9.00% Second Priority Senior Secured Notes due 2015 (the "2015 Notes") and 8.75% Second Priority Senior Secured Notes due 2013 (the "2013 Notes" and together with the 2015 Notes, the "Second Priority Notes"), in accordance with the terms and conditions described in our Offer to Purchase and the related Letter of Transmittal, each dated October 16, 2007. Early settlement for the tender offer was on October 30, 2007 and final settlement was on November 14, 2007, and we accepted for purchase a total of $192.6 million principal amount of the 2008 Notes, $600.0 million principal amount of the 2015 Notes and approximately $447.4 million principal amount of the 2013 Notes (representing the acceptance by us of a prorated amount). At settlement, none of the 2015 Notes, approximately $9.3 million principal amount of the 2008 Notes and approximately $752.6 million principal amount of the 2013 Notes remained outstanding.

Company Information

We were incorporated in the State of Delaware in 1981. Our principal executive office is located at 4300 Wilson Boulevard, Arlington, Virginia 22203, and our telephone number is (703) 522-1315. Our website address is *http://www.aes.com*. Material contained on our website is not part of and is not incorporated by reference in this prospectus. Our filings with the Securities and Exchange Commission ("SEC") are available from our website free of charge.

The name "AES" and our logo are AES owned trademarks, service marks or trade names. All other trademarks, trade names or service marks appearing or incorporated by reference in this prospectus are owned by their respective holders.

Summary of the Exchange Offer

On October 15, 2007, we issued $500 million aggregate principal amount of unregistered 7.75% senior notes due 2015 and $1.5 billion aggregate principal amount of unregistered 8.0% senior notes due 2017.

On October 15, 2007, we and the initial purchasers of the unregistered notes entered into a registration rights agreement in connection with such debt offerings in which we agreed that you, as a holder of unregistered notes, would be entitled to exchange your unregistered notes for exchange notes registered under the Securities Act but otherwise having substantially identical terms to the respective unregistered notes. This exchange offer is intended to satisfy these rights. After the exchange offer is completed, you will no longer be entitled to any registration rights with respect to your notes. The exchange notes will be our obligations and will be entitled to the benefits of the base indenture and supplemental indentures relating to the unregistered notes. The form and terms of the exchange notes are identical in all material respects to the form and terms of the respective unregistered notes, except:

- the exchange notes will have been registered under the Securities Act, and therefore will contain no restrictive legends;
- the exchange notes will not have registration rights; and
- the exchange notes will not have rights to additional interest conditioned upon a registration default.

For additional information on the terms of the exchange offer, see "The Exchange Offer."

The Exchange Offer	We are offering to exchange $1,000 principal amount of:
	7.75% senior notes due 2015 which have been registered under the Securities Act of 1933 for each $1,000 principal amount of our outstanding unregistered 2015 notes that were issued on October 15, 2007. As of the date of this prospectus, $500 million in aggregate principal amount of our unregistered 2015 notes are outstanding.
	8.0% senior notes due 2017 which have been registered under the Securities Act of 1933 for each $1,000 principal amount of our outstanding unregistered 2017 notes that were issued on October 15, 2007. As of the date of this prospectus, $1.5 billion in aggregate principal amount of our unregistered 2017 notes are outstanding.
Expiration of Exchange Offer	The exchange offer will expire at 12:00 p.m., midnight, New York City time, on January 18, 2008, unless we decide to extend the expiration date.
Conditions of the Exchange Offer	We will not be required to accept for exchange any unregistered notes, and we may amend or terminate the exchange offer if any of the following conditions or events occurs:
	the exchange offer, or the making of any exchange by a holder, violates applicable law, rule, or regulation or any applicable interpretation of the staff of the SEC;

- any action or proceeding shall have been instituted or threatened with respect to the exchange offer which, in our judgment, would impair our ability to proceed with the exchange offer; and
- any law, rule or regulation or applicable interpretation of the staff of the SEC has been issued or promulgated which, in our good faith determination, does not permit us to effect the exchange offer.

We will give oral or written notice of any non-acceptance, amendment or termination to the registered holders of the unregistered notes as promptly as practicable. We reserve the right to waive any conditions of the exchange offer.

Resale of Exchange Notes

Based on interpretative letters of the SEC staff to third parties unrelated to us, we believe that you can resell and transfer the exchange notes you receive pursuant to this exchange offer, without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that:

- any exchange notes to be received by you will be acquired in the ordinary course of your business;
- you are not engaged in, do not intend to engage in and have no arrangement or understanding with any person to participate in the distribution of the unregistered notes or the exchange notes;
- you are not an "affiliate" (as defined in Rule 405 under the Securities Act) of AES or, if you are such an affiliate, you will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable;
- if you are a broker-dealer, you have not entered into any arrangement or understanding with AES or any "affiliate" of AES (within the meaning of Rule 405 under the Securities Act) to distribute the exchange notes;
- if you are a broker-dealer, you will receive exchange notes for your own account in exchange for unregistered notes that were acquired as a result of market-making activities or other trading activities and that you will deliver a prospectus in connection with any resale of such exchange notes; and
- you are not acting on behalf of any person or entity that could not truthfully make these representations.

If you wish to accept the exchange offer, you must represent to us that these conditions have been met.

	If our belief is inaccurate and you transfer any exchange notes without delivering a prospectus meeting the requirements of the Securities Act or without an exemption from registration under the Securities Act, you may incur liability under the Securities Act. We do not assume or indemnify you against such liability.
Accrued Interest on the Exchange Notes and Unregistered Senior Notes	Like the unregistered notes, the exchange notes will accrue interest from and including October 15, 2007. We will pay interest on the exchange 2015 notes and the exchange 2017 notes semi-annually on April 15 and October 15 of each year, commencing April 15, 2008.
	Holders of unregistered notes that are accepted for exchange will be deemed to have waived the right to receive any payment in respect of interest accrued from and including October 15, 2007, until the date of the issuance of the exchange notes. Consequently, holders of exchange notes will receive the same interest payments that they would have received had they not accepted the exchange offer.
Procedures for Tendering Unregistered Senior Notes	If you wish to participate in the exchange offer, you must transmit a properly completed and signed letter of transmittal, and all other documents required by the letter of transmittal, to the exchange agent at the address set forth in the letter of transmittal. These materials must be received by the exchange agent before 12:00 p.m., midnight, New York City time, on January 18, 2008, the expiration date of the exchange offer. You must also provide:
	a confirmation of any book-entry transfer of unregistered notes tendered electronically into the exchange agent's account with DTC. You must comply with DTC's standard operating procedures for electronic tenders, by which you will agree to be bound in the letter of transmittal; or
	physical delivery of your unregistered notes to the exchange agent's address as set forth in the letter of transmittal.
	The letter of transmittal must also contain the representations you must make to us as described under "The Exchange Offer Resale of Exchange Notes."
Special Procedures for Beneficial Owners	If you are a beneficial owner of unregistered notes that are held through a broker, dealer, commercial bank, trust company or other nominee and you wish to tender such unregistered notes, you should contact the person promptly and instruct the person to tender your unregistered notes on your behalf.

Guaranteed Delivery Procedures for Unregistered Senior Notes	If you cannot meet the expiration deadline, or you cannot deliver your unregistered notes, the letter of transmittal or any other required documentation, or comply with DTC's standard operating procedures for electronic tenders on time, you may tender your unregistered notes according to the guaranteed delivery procedures set forth under "The Exchange Offer Guaranteed Delivery Procedures."
Withdrawal Rights	You may withdraw the tender of your unregistered notes at any time prior to 12:00 p.m., midnight, New York City time, on January 18, 2008, the expiration date.
Consequences of Failure to Exchange	If you are eligible to participate in this exchange offer and you do not tender your unregistered notes as described in this prospectus, you will not have any further registration rights. In that case, your unregistered notes will continue to be subject to restrictions on transfer. As a result of the restrictions on transfer and the availability of exchange notes, the unregistered notes are likely to be much less liquid than before the exchange offer. The unregistered notes will, after the exchange offer, bear interest at the same rate as the respective exchange notes.
Certain U.S. Federal Income Tax Consequences	The exchange of the unregistered notes for exchange notes pursuant to the exchange offer will not be a taxable exchange for U.S. federal income tax purposes.
Use of Proceeds	We will not receive any proceeds from the issuance of exchange notes pursuant to the exchange offer.
Exchange Agent for Unregistered Senior Notes	Wells Fargo Bank, National Association, the trustee under the indenture for the unregistered notes, is serving as the exchange agent in connection with the exchange offer. Wells Fargo Bank, National Association can be reached at Corporate Trust Operations, MAC N9303-121, P.O. Box 1517, Minneapolis, Minnesota 55480, Attn: Reorg; its telephone number is (800) 344-5128 or (612) 667-9764 and its facsimile number is (612) 667-6282.

Summary Description of the Exchange Notes

The following is a brief summary of some of the terms of the notes. For a more complete description of the terms of the notes, see "Description of the Exchange Notes."

Exchange Notes	$500,000,000 aggregate principal amount of registered 7.75% senior notes due 2015; and
	$1,500,000,000 aggregate principal amount of registered 8.0% senior notes due 2017.
Maturity	The exchange 2015 notes will mature on October 15, 2015. The exchange 2017 notes will mature on October 15, 2017.
Interest	The exchange 2015 notes bear interest at an annual rate equal to 7.75%. The exchange 2017 notes bear interest at an annual rate equal to 8.0%. Interest on the exchange notes will be paid on each April 15 and October 15, beginning April 15, 2008.
Ranking	The exchange notes will be our direct, unsecured and unsubordinated obligations and will rank:
	equal in right of payment with all of our senior unsecured debt;
	effectively junior in right of payment to (a) our secured debt to the extent of the value of the assets securing such debt and (b) the debt and other liabilities (including trade payables) of our subsidiaries; and
	senior in right of payment to our subordinated debt.
	As of September 30, 2007:
	we had approximately $2.2 billion of senior unsecured debt, $2.0 billion of secured debt and $731 million of subordinated debt outstanding; and
	our subsidiaries had approximately $21.6 billion of debt and other liabilities, including trade payables, outstanding.
	The indenture under which the exchange notes will be issued contains no restrictions on the amount of additional unsecured indebtedness that we may incur or the amount of indebtedness (whether secured or unsecured) that our subsidiaries may incur. The indenture permits us to incur secured debt subject to the covenants described under "Description of the Exchange Notes Certain Covenants of AES Restrictions on Secured Debt."
Change of Control	Upon the occurrence of a change of control (as described in "Description of the Exchange Notes Repurchase of Notes Upon a Change of Control"), you may require us to repurchase some or all of your exchange notes at 101% of their principal amount, plus accrued and unpaid interest to the date of repurchase.

Optional redemption	We may redeem some or all of the exchange notes at par plus a Make-Whole Amount (as defined). See "Description of the Exchange Notes Optional Redemption."
Covenants	We have agreed to certain restrictions on incurring secured debt and entering into sale and leaseback transactions. See "Description of the Exchange Notes Certain Covenants of AES."
Trustee	Wells Fargo Bank, National Association.
Risk factors	See "Risk Factors" for a discussion of the factors you should consider carefully before deciding to invest in the notes.

RISK FACTORS

You should consider carefully the following risks, along with the other information contained in this prospectus. Additional risks and uncertainties also may adversely affect our business and operations including those discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this prospectus. If any of the following events actually occur, our business and financial results could be materially adversely affected.

Risks Relating to the Notes

The AES Corporation is a holding company and its ability to make payments on its outstanding indebtedness, including the notes, is dependent upon the receipt of funds from its subsidiaries by way of dividends, fees, interest, loans or otherwise.

The AES Corporation is a holding company with no material assets, other than the stock of its subsidiaries. All of The AES Corporation's revenue is generated through its subsidiaries. Accordingly, almost all of The AES Corporation's cash flow is generated by the operating activities of its subsidiaries. Therefore, The AES Corporation's ability to make payments on its indebtedness and to fund its other obligations is dependent not only on the ability of its subsidiaries to generate cash, but also on the ability of the subsidiaries to distribute cash to it in the form of dividends, fees, interest, loans or otherwise.

Furthermore, our subsidiaries face various restrictions in their ability to distribute cash to The AES Corporation. Most of the subsidiaries are obligated, pursuant to loan agreements, indentures or project financing arrangements, to satisfy certain restricted payment covenants or other conditions before they may make distributions to The AES Corporation. In addition, the payment of dividends or the making of loans, advances or other payments to The AES Corporation may be subject to legal or regulatory restrictions. Business performance and local accounting and tax rules may limit the amount of retained earnings, which is in many cases the basis of dividend payments. Subsidiaries in foreign countries may also be prevented from distributing funds to The AES Corporation as a result of restrictions imposed by the foreign government on repatriating funds or converting currencies. Any right The AES Corporation has to receive any assets of any of its subsidiaries upon any liquidation, dissolution, winding up, receivership, reorganization, assignment for the benefit of creditors, marshaling of assets and liabilities or any bankruptcy, insolvency or similar proceedings (and the consequent right of the holders of The AES Corporation's indebtedness to participate in the distribution of, or to realize proceeds from, those assets) will be effectively subordinated to the claims of any such subsidiary's creditors (including trade creditors and holders of debt issued by such subsidiary).

The AES Corporation's subsidiaries are separate and distinct legal entities and, unless they have expressly guaranteed any of The AES Corporation's indebtedness, have no obligation, contingent or otherwise, to pay any amounts due pursuant to such debt or to make any funds available therefor, whether by dividends, fees, loans or other payments. While some of The AES Corporation's subsidiaries guarantee its indebtedness under its senior secured credit facility and certain other indebtedness, none of its subsidiaries guarantee, or are otherwise obligated with respect to the notes offered hereby.

The notes will be effectively subordinated to the liabilities of our subsidiaries.

Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due on the notes offered hereby or to make any funds available therefor, whether by dividends, fees, loans or other payments. Any right we have to receive any assets of any of our subsidiaries upon any liquidation, dissolution, winding up, receivership, reorganization, assignment for the benefit of creditors, marshaling of assets and liabilities or any bankruptcy, insolvency or similar proceedings (and the consequent right of the holders of our indebtedness to participate in the distribution of, or to realize proceeds from, those assets) will be effectively subordinated to the claims of any such subsidiary's creditors (including trade creditors and holders of debt issued by such subsidiary). Accordingly, the notes will be effectively subordinated to all liabilities of our subsidiaries, including guarantees by our subsidiaries of our obligations, including our obligations under our senior secured credit facility. At September 30, 2007, our subsidiaries had $21.6 billion of outstanding liabilities, including outstanding indebtedness. The indenture governing the notes does not limit the ability of our subsidiaries to incur additional indebtedness, including guaranteeing debt of The AES Corporation.

The notes will be effectively subordinated to our secured debt.

The notes will be unsecured general obligations of The AES Corporation, and therefore will be effectively subordinated to all of the secured debt of The AES Corporation to the extent of the value of the assets securing such debt. As of September 30, 2007, The AES Corporation had a total of $2.0 billion of secured debt outstanding, including amounts outstanding under our senior secured credit facility and our Second Priority Senior Secured Notes, which are secured by, among other things, a lien on certain of our accounts and a pledge of most of our directly held subsidiaries. The indenture governing the notes limits but does not prohibit The AES Corporation from incurring additional secured debt and there are significant exceptions to this covenant. See "Description of the Exchange Notes Certain Covenants of AES Restrictions on Secured Debt."

You cannot be sure that an active trading market will develop for these notes, which may hinder your ability to liquidate your investment.

The notes are a new issue of securities with no established trading market, and we do not intend to list them on any securities exchange. The initial purchasers of the restricted notes have been making a market in the restricted notes, and we have been informed by the initial purchasers that they intend to make a market for the exchange notes after the exchange offer is completed. However, the initial purchasers may cease their market-making at any time. In addition, the liquidity of the trading market in the notes, and the market price quoted for the notes, may be adversely affected by changes in the overall market for fixed income securities and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. In addition, such market-making activity will be subject to limits imposed by the Securities Act and the Securities Exchange Act of 1934 (the "Exchange Act"), and may be limited during this exchange offer and the pendency of any shelf registration statement. As a result, you cannot be sure that an active trading market will develop for the notes. If no active trading market develops, you may not be able to resell your notes at their fair market value or at all.

Risks Relating to Our Business

Our disclosure controls and procedures and internal control over financial reporting were determined not to be effective as of September 30, 2007, December 31, 2006, December 31, 2005 and December 31, 2004, as evidenced by the material weaknesses that existed in our internal controls. Our disclosure controls and procedures and internal control over financial reporting may not be effective in future periods, as a result of existing or newly identified material weaknesses in internal controls.

Our management reported material weaknesses in our internal control over financial reporting at the end of 2006, 2005 and 2004 and at September 30, 2007. A material weakness is a deficiency, or a combination of deficiencies, that adversely affects a company's ability to initiate, authorize, record, process, or report external financial data reliably in accordance with generally accepted accounting principles such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected. Our management concluded that as of September 30, 2007, December 31, 2006, December 31, 2005 and December 31, 2004, we did not maintain effective internal control over financial reporting and concluded that our disclosure controls and procedures were not effective to provide reasonable assurance that financial information we are required to disclose in our reports under the Exchange Act was recorded, processed, summarized and reported accurately. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Controls and Procedures."

During the remediation efforts to correct the material weakness that was identified at the end of 2004, errors were discovered in our financial statements which resulted from such material weakness, as well as errors resulting from newly identified material weaknesses. These errors required us to restate our financial statements that were previously filed in AES's annual report on Form 10-K for the year ended December 31, 2004 and AES's quarterly report on Form 10-Q for the quarter ended March 31, 2005. During the 2005 year-end closing process and the first quarter of 2006, additional errors were identified relating to the existing material weakness and newly identified material weaknesses that required us to restate prior period financial statements on January 19, 2006 and April 4, 2006. During the 2006 year-end closing process further errors were identified relating to existing material weaknesses as well as related to newly identified material weaknesses that required us to restate our previously filed annual financial statements in AES's 2006 annual report on Form 10-K originally filed on May 23, 2007 and to restate our previously issued condensed consolidated interim financial statements for the three months ended March 31, 2006 and 2007 in its 10-Q/A filed with the SEC on August 17, 2007, for the three and six months ended June 30, 2006 in its Form 10-Q filed with the SEC on August 9, 2007 and for the three and nine months ended September 30, 2006 in its Form 10-Q filed on November 6, 2007. Finally, in the third quarter of 2007, as a result of new controls implemented during remediation of material weaknesses, we identified additional errors relating to lease accounting at our Southland and Pakistan subsidiaries. These errors and other adjustments, including adjustments relating to the treatment of Special Obligations in Brazil, required us to restate our financial statements for the fifth time in AES's amended 2006 annual report on Form 10-K/A filed on August 7, 2007 and in its amended quarterly report on Form 10-Q/A for the quarter ended March 31, 2007, filed on August 17, 2007. To address these material weaknesses in our internal control over financial reporting, each time we prepared our annual and quarterly reports we performed additional analysis and other post-closing procedures in order to prepare our consolidated financial statements in accordance with generally accepted accounting principles. These additional procedures are costly, time consuming and require us to dedicate a significant amount of our resources, including the time and attention of our senior management, toward the correction of these problems.

Although we reported remediation of certain material weaknesses as of December 31, 2006 and continue to execute plans to remediate the remaining material weaknesses in 2007, there can be no assurance as to when the remediation plans will be fully implemented, nor can there be any assurance that additional material weaknesses will not be identified in the future. Due to our decentralized structure and our disparate accounting systems, we have additional work remaining to remediate our material weaknesses in internal control over financial reporting. Until our remediation efforts are completed, we will continue to be at an increased risk that our financial statements could contain errors that will be undetected, and we will continue to incur significant expense and management burdens associated with the additional procedures required to prepare our consolidated financial statements.

Management, including our chief executive officer ("CEO") and chief financial officer ("CFO"), does not expect that our internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Any evaluation of the effectiveness of controls is subject to risks that those internal controls may become inadequate in future periods because of changes in business conditions, changes in accounting practice or policy, or that the degree of compliance with the revised policies or procedures deteriorates.

Our identification of material weaknesses in internal control over financial reporting caused us to miss deadlines for certain SEC filings and if further filing delays occur, they could result in negative attention and/or legal consequences for the Company.

Our identification of the material weaknesses in internal control over financial reporting caused us to delay the filing of certain quarterly and annual reports with the SEC to dates that went beyond the deadline prescribed by the SEC's rules to file such reports.

We did not timely file with the SEC our quarterly and annual reports for the year ended December 31, 2005, our quarterly reports for the second and third quarters of 2006, our annual report for the year ended December 31, 2006, and our quarterly report for the quarter ended March 31, 2007. Under SEC rules, failure to timely file these reports prohibits us from offering and selling our securities pursuant to our shelf registration statement on Form S-3, which has impaired and will continue to impair our ability to access the capital markets through the public sale of registered securities in a timely manner. We will regain our S-3 eligibility on June 1, 2008 if we timely file all required reports until that date.

The failure to file our annual and quarterly reports with the SEC in a timely fashion also resulted in covenant defaults under our senior secured credit facility and the indenture governing certain of our outstanding debt securities. Such defaults required us to obtain a waiver from the lenders under the senior secured credit facility, while the default under the indentures was cured upon the filing of the reports within the permitted grace period.

Until our remediation efforts are completed, there will continue to be an increased risk that we will be unable to timely file future periodic reports with the SEC and that a related default under our senior secured credit facility and indentures could occur. In addition, the material weaknesses in internal controls, the restatements of our financial statements, and the delay in the filing of our annual and quarterly reports and any similar problems in the future could have other adverse effects on our business, including, but not limited to:

- impairing our ability to access the capital markets, including, but not limited to the inability to offer and sell securities pursuant to a shelf registration statement on Form S-3;
- litigation or an expansion of the SEC's informal inquiry into our restatements or the commencement of formal proceedings by the SEC or other regulatory authorities, which could require us to incur significant legal expenses and other costs or to pay damages, fines or other penalties;
- additional covenant defaults, and potential events of default, under our senior secured credit facility and the indentures governing our outstanding debt securities, resulting from our failure to timely file our financial statements;
- negative publicity;
- ratings downgrades; or
- the loss or impairment of investor confidence in the Company.

Risks Related to our High Level of Indebtedness

We have a significant amount of debt, a large percentage of which is secured, which could adversely affect our business and the ability to fulfill our obligations.

As of September 30, 2007, we had approximately $17.2 billion of outstanding indebtedness on a consolidated basis. All outstanding borrowings under The AES Corporation's senior secured credit facility, our Second Priority Senior Secured Notes and certain other indebtedness are secured by certain of our assets, including the pledge of capital stock of many of The AES Corporation's directly-held subsidiaries. Most of the debt of The AES Corporation's subsidiaries is secured by substantially all of the assets of those subsidiaries. Since we have such a high level of debt, a substantial portion of cash flow from operations must be used to make payments on this debt. Furthermore, since a significant percentage of our assets are used to secure this debt, this reduces the amount of collateral that is available for future secured debt or credit support and reduces our flexibility in dealing with these secured assets. This high level of indebtedness and related security could have other important consequences to us and our investors, including:

- making it more difficult to satisfy debt service and other obligations;
- increasing the likelihood of a downgrade of our debt, which can cause future debt payments to increase and consume an even greater portion of cash flow;
- increasing our vulnerability to general adverse economic and industry conditions;
- reducing the availability of cash flow to fund other corporate purposes and grow our business;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry;
- placing us at a competitive disadvantage to our competitors that are not as highly leveraged; and
- limiting, along with the financial and other restrictive covenants relating to such indebtedness, among other things, our ability to borrow additional funds as needed or take advantage of business opportunities as they arise, pay cash dividends or repurchase common stock.

The agreements governing our indebtedness, including the indebtedness of our subsidiaries, limit but do not prohibit the incurrence of additional indebtedness. To the extent we become more leveraged, the risks described above would increase. Further, our actual cash requirements in the future may be greater than expected. Accordingly, our cash flow from operations may not be sufficient to repay at maturity all of the outstanding debt as it becomes due and, in that event, we may not be able to borrow money, sell assets or otherwise raise funds on acceptable terms or at all to refinance our debt as it becomes due.

Even though The AES Corporation is a holding company, existing and potential future defaults by subsidiaries or affiliates could adversely affect The AES Corporation.

We attempt to finance our domestic and foreign projects primarily under loan agreements and related documents which, except as noted below, require the loans to be repaid solely from the project's revenues and provide that the repayment of the loans (and interest thereon) is secured solely by the capital stock, physical assets, contracts and cash flow of that project subsidiary or affiliate. This type of financing is usually referred to as non-recourse debt or "project financing." In some project financings, The AES Corporation has explicitly agreed to undertake certain limited obligations and contingent liabilities, most of which by their terms will only be effective or will be terminated upon the occurrence of future events. These obligations and liabilities take the form of guarantees, indemnities, letter of credit reimbursement agreements and agreements to pay, in certain circumstances, the project lenders or other parties.

As of September 30, 2007, we had approximately $17.2 billion of outstanding indebtedness on a consolidated basis, of which approximately $4.9 billion was recourse debt of The AES Corporation and approximately $12.3 billion was non-recourse debt. In addition, at September 30, 2007, The AES Corporation had provided:

- financial and performance related guarantees or other credit support commitments to or for the benefit of its subsidiaries, which were limited by the terms of the agreements, to an aggregate of approximately $652 million; and

- $354 million in letters of credit outstanding and less than $1 million in surety bonds outstanding, which operate to guarantee performance relating to certain project construction and development activities and subsidiary operations.

The AES Corporation is also obligated under other commitments, which are limited to amounts, or percentages of amounts, received by The AES Corporation as distributions from its project subsidiaries. In addition, The AES Corporation has commitments to fund its equity in projects currently under development or in construction.

Some of our subsidiaries are currently in default with respect to all or a portion of their outstanding indebtedness. The total debt classified as current in our consolidated balance sheets related to such defaults was $514 million at September 30, 2007. While the lenders under our non-recourse project financings generally do not have direct recourse to The AES Corporation (other than to the extent of any credit support given by The AES Corporation), defaults thereunder can still have important consequences for The AES Corporation, including, without limitation:

- reducing The AES Corporation's receipt of subsidiary dividends, fees, interest, loan and other sources of cash since the project subsidiary will typically be prohibited from distributing cash to The AES Corporation during the pendancy of any default;

- triggering The AES Corporation's obligation to make payments under any financial guarantee, letter of credit or other credit support which The AES Corporation has provided to or on behalf of such subsidiary;

- causing The AES Corporation to record a loss in the event the lender forecloses on the assets;

- triggering defaults in The AES Corporation's outstanding debt and trust preferred instruments. For example, The AES Corporation's senior secured credit facility and outstanding senior notes include events of default for certain bankruptcy related events involving material subsidiaries. In addition, The AES Corporation's senior secured credit facility includes certain events of default relating to accelerations of outstanding debt of material subsidiaries; or

- the loss or impairment of investor confidence in the Company.

None of the projects that are currently in default are owned by subsidiaries that meet the applicable definition of materiality in The AES Corporation's senior secured credit facility in order for such defaults to trigger an event of default or permit acceleration under such indebtedness. However, as a result of future write-down of assets, dispositions and other matters that affect our financial position and results of operations, it is possible that one or more of these subsidiaries could fall within the definition of a "material subsidiary" and thereby upon an acceleration of such subsidiary's debt, trigger an event of default and possible acceleration of the indebtedness under The AES Corporation's senior secured credit facility.

Risks Associated with our Ability to Raise Needed Capital

The AES Corporation has significant cash requirements and limited sources of liquidity.

The AES Corporation requires cash primarily to fund:

- principal repayments of debt;
- interest and preferred dividends;
- acquisitions;
- construction and other project commitments;
- other equity commitments, including business development investments;
- taxes; and
- parent company overhead costs.

The AES Corporation's principal sources of liquidity are:

- dividends and other distributions from its subsidiaries;
- proceeds from debt and equity financings at the parent company level; and
- proceeds from asset sales, including sales of stock of its subsidiaries.

For a more detailed discussion of The AES Corporation's cash requirements and sources of liquidity, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations Capital Resources and Liquidity" set forth below.

While we believe that these sources will be adequate to meet our obligations at the parent company level for the foreseeable future, this belief is based on a number of material assumptions, including, without limitation, assumptions about our ability to access the capital or commercial lending markets, the operating and financial performance of our subsidiaries, exchange rates and the ability of our subsidiaries to pay dividends. Any number of assumptions could prove to be incorrect and therefore there can be no assurance that these sources will be available when needed or that our actual cash requirements will not be greater than expected. In addition, our cash flow may not be sufficient to repay at maturity all of the principal outstanding under our senior secured credit facility and our debt securities and may have to refinance such obligations. There can be no assurance that we will be successful in obtaining such refinancing and any of these events could have a material effect on us.

Our ability to grow our business could be materially adversely affected if we were unable to raise capital on favorable terms.

Our ability to arrange for financing on either a recourse or non-recourse basis and the costs of such capital are dependent on numerous factors, some of which are beyond our control, including:

- general economic and capital markets conditions;

the availability of bank credit;

investor confidence;

the financial condition, performance and prospects of The AES Corporation in general and/or that of any subsidiary requiring the financing; and changes in tax and securities laws which are conducive to raising capital.

In addition, our inability to issue securities pursuant to our existing shelf-registration statement on Form S-3 and the material weaknesses in our internal controls over financial reporting may also limit our ability to access the capital markets on a timely basis. Should future access to capital not be available, we may have to sell assets or decide not to build new plants or acquire existing facilities, either of which would affect our future growth.

A downgrade in the credit ratings of The AES Corporation or its subsidiaries could adversely affect our ability to access the capital markets which could increase our interest costs or adversely affect our liquidity and cash flow.

From time to time, we rely on access to capital markets as a source of liquidity for capital requirements not satisfied by operating cash flows. If any of the credit ratings of The AES Corporation or its subsidiaries were to be downgraded, our ability to raise capital on favorable terms could be impaired and our borrowing costs would increase.

Furthermore, depending on The AES Corporation's credit ratings and the trading prices of its equity and debt securities, counter parties may no longer be as willing to accept general unsecured commitments by The AES Corporation to provide credit support. Accordingly, with respect to both new and existing commitments, The AES Corporation may be required to provide some other form of assurance, such as a letter of credit, to backstop or replace any credit support by The AES Corporation. There can be no assurance that such counter parties will accept such guarantees in the future. In addition, to the extent The AES Corporation is required and able to provide letters of credit or other collateral to such counterparties; it will limit the amount of credit available to The AES Corporation to meet its other liquidity needs.

We may not be able to raise sufficient capital to fund "greenfield" projects in certain less developed economies which could change or in some cases adversely affect our growth strategy.

Part of our strategy is to grow our business by developing Generation and Utility businesses in less developed economies where the return on our investment may be greater than projects in more developed economies. Commercial lending institutions sometimes refuse to provide non-recourse project financing in certain less developed economies, and in these situations we have sought and will continue to seek direct or indirect (through credit support or guarantees) project financing from a limited number of multilateral or bilateral international financial institutions or agencies. As a precondition to making such project financing available, the lending institutions may also require governmental guarantees of certain project and sovereign related risks. There can be no assurance, however, that project financing from the international financial agencies or that governmental guarantees will be available when needed, and if they are not, we may have to abandon the project or invest more of our own funds which may not be in line with our investment objectives and would leave less funds for other projects.

External Risks Associated with Revenue and Earnings Volatility

Our financial position and results of operations may fluctuate significantly due to fluctuations in currency exchange rates experienced at our foreign operations.

Our exposure to currency exchange rate fluctuations results primarily from the translation exposure associated with the preparation of our consolidated financial statements, as well as from transaction exposure associated with transactions in currencies other than an entity's functional currency. While our consolidated financial statements are reported in U.S. dollars, the financial statements of many of our subsidiaries outside the United States are prepared using the local currency as the functional currency and translated into U.S. dollars by applying appropriate exchange rates. As a result, fluctuations in the exchange rate of the U.S. dollar relative to the local currencies where our subsidiaries outside the United States report could cause significant fluctuations in our results. In addition, while our expenses with respect to foreign operations are generally denominated in the same currency as corresponding sales, we have transaction exposure to the extent receipts and expenditures are not offsetting in the subsidiary's functional currency.

We also experience foreign transaction exposure to the extent monetary assets and liabilities, including debt, are in a different currency than the subsidiary's functional currency. Moreover, the costs of doing business abroad may increase as a result of adverse exchange rate fluctuations. Our financial position and results of operations have been significantly affected by fluctuations in the value of a number of currencies, primarily the Brazilian real, Venezuelan bolivar and Argentine peso. As our Brazilian and Argentine businesses primarily identify their local currency as its functional currency, devaluation of these currencies has resulted in deferred translation losses (foreign currency translation adjustments recognized in accumulated other comprehensive loss) based on positive net asset positions. Devaluation has also resulted in foreign currency transaction losses primarily associated with U.S. dollar debt at these businesses. Our Venezuelan business has now been sold. In addition, because it is difficult to estimate the overall impact of foreign exchange fluctuations related to translation exposure on our results of operations, we do not separately quantify the impact on earnings.

Our businesses may incur substantial costs and liabilities and be exposed to price volatility as a result of risks associated with the wholesale electricity markets, which could have a material adverse effect on our financial performance.

Some of our Generation businesses sell electricity in the wholesale spot markets in cases where they operate wholly or partially without long-term power sales agreements. Our Utility businesses and, to the extent they require additional capacity, our Generation business, also buys electricity in the wholesale spot markets. As a result, we are exposed to the risks of rising and falling prices in those markets. The open market wholesale prices for electricity are very volatile and often reflect the fluctuating cost of coal, natural gas, or oil. Consequently, any changes in the supply and cost of coal, natural gas, and oil may impact the open market wholesale price of electricity.

Volatility in market prices for fuel and electricity may result from among other things:

- plant availability;
- competition;
- demand for energy commodities;
- electricity usage;
- seasonality;
- interest rate and foreign exchange rate fluctuation;
- availability and price of emission credits;
- input prices;
- weather;
- illiquid markets;
- transmission or transportation constraints or inefficiencies;

- availability of competitively priced alternative energy sources;
- available supplies of natural gas, crude oil and refined products, and coal;
- generating unit performance;
- natural disasters, terrorism, wars, embargoes and other catastrophic events;
- energy, market and environmental regulation, legislation and policies;
- geopolitical concerns affecting global supply of oil and natural gas; and
- general economic conditions in areas where we operate which impact energy consumption.

In addition, our business depends upon transmission facilities owned and operated by others. If transmission is disrupted or capacity is inadequate or unavailable, our ability to sell and deliver power may be limited. Several of our Alternative Energy initiatives may, if we are successful in developing them further, operate without long-term sales or fuel supply agreements, and, as a result, may experience significant volatility in their results of operations.

We may not be adequately hedged against our exposure to changes in commodity prices.

We routinely enter into contracts to hedge a portion of our purchase and sale commitments for electricity, fuel requirements and other commodities to lower our financial exposure related to commodity price fluctuations. As part of this strategy, we routinely utilize fixed-price forward physical purchase and sales contracts, futures, financial swaps, and option contracts traded in the over-the-counter markets or on exchanges. However, we may not cover the entire exposure of our assets or positions to market price volatility, and the coverage will vary over time. Furthermore, the risk management procedures we have in place may not always be followed or may not work as planned. In particular, if prices of commodities significantly deviate from historical prices or if the price volatility or distribution of these changes deviates from historical norms, our risk management system may not protect us from significant losses. As a result fluctuating commodity prices may negatively impact our financial results to the extent we have unhedged or inadequately hedged positions. In addition, certain types of economic hedging activities may not qualify for hedge accounting under GAAP, resulting in increased volatility in our net income.

Certain of our businesses are sensitive to variations in weather.

The energy business is affected by variations in general weather conditions and unusually severe weather. Our businesses forecast electric sales on the basis of normal weather, which represents a long-term historical average. While we also consider possible variations in normal weather patterns and potential impacts on our facilities and our businesses, there can be no assurance that such planning can prevent these impacts, which can adversely affect our business. Generally, demand for electricity peaks in winter and summer. Typically, when winters are warmer than expected and summers are cooler than expected, demand for energy is lower, resulting in less electric consumption than forecasted. Significant variations from normal weather where our businesses are located could have a material impact on our results of operations.

Risks Associated with our Operations

We do a significant amount of business outside the United States which presents significant risks.

During 2006, approximately 78% of our revenue was generated outside the United States and a significant portion of our international operations is conducted in developing countries. Part of our growth strategy is to expand our business in developing countries because the growth rates and the opportunity to implement operating improvements and achieve higher operating margins may be greater than those typically achievable in more developed countries. International operations, particularly the operation, financing and development of projects in developing countries, entail significant risks and uncertainties, including, without limitation:

- economic, social and political instability in any particular country or region;
- adverse changes in currency exchange rates;
- government restrictions on converting currencies or repatriating funds;
- unexpected changes in foreign laws and regulations or in trade, monetary or fiscal policies;
- high inflation and monetary fluctuations;
- restrictions on imports of coal, oil, gas or other raw materials required by our generation businesses to operate;
- threatened or consummated expropriation or nationalization of our assets by foreign governments;
- difficulties in hiring, training and retaining qualified personnel, particularly finance and accounting personnel with U.S. GAAP expertise;
- unwillingness of governments, government agencies or similar organizations to honor their contracts;
- inability to obtain access to fair and equitable political, regulatory, administrative and legal systems;
- adverse changes in government tax policy;
- difficulties in enforcing our contractual rights or enforcing judgments or obtaining a just result in local jurisdictions; and
- potentially adverse tax consequences of operating in multiple jurisdictions.

Any of these factors, by itself or in combination with others, could materially and adversely affect our business, results of operations and financial condition. For example, in the second quarter of 2007, we sold our stake in EDC to Petróleos de Venezuela, S.A. ("PDVSA"), a state owned company in Venezuela after Venezuelan President Hugo Chavez threatened to expropriate the electricity business in Venezuela. In connection with the sale, we recognized an impairment charge of approximately $638 million. In addition, our Latin American operations experience volatility in revenues and earnings which have caused and are expected to cause significant volatility in our results of operations and cash flows. The volatility is caused by regulatory and economic difficulties, political instability and currency devaluations being experienced in many of these countries. This volatility reduces the predictability and enhances the uncertainty associated with cash flows from these businesses.

The operation of power generation and distribution facilities involves significant risks that could adversely affect our financial results.

The operation of power generation and distribution facilities involves many risks, including:

- equipment failure causing unplanned outages;
- failure of transmission systems;
- the dependence on a specified fuel source, including the transportation of fuel;
- catastrophic event such as fires, explosions, floods, earthquakes, hurricanes and similar occurrences; and
- environmental compliance.

Any of these risks could have an adverse effect on our generation and distribution facilities. In addition, a portion of our generation facilities were constructed many years ago. Older generating equipment may require significant capital expenditures for maintenance. This equipment is also likely to require periodic upgrading and improvement. Breakdown or failure of one of our operating facilities may prevent the facility from performing under applicable power sales agreements which, in certain situations, could result in termination of a power purchase or other agreement or incurring a liability for liquidated damages.

As a result of the above risks and other potential hazards associated with the power generation and distribution industries, we may from time to time become exposed to significant liabilities for which we may not have adequate insurance coverage. Power generation involves hazardous activities, including acquiring, transporting and unloading fuel, operating large pieces of rotating equipment and delivering electricity to transmission and distribution systems. In addition to natural risks, such as earthquake, flood, lightning, hurricane and wind, hazards, such as fire, explosion, collapse and machinery failure, are inherent risks in our operations which may occur as a result of inadequate internal processes, technological flaws, human error or certain external events. The control and management of these risks are based on adequate development and training of personnel and on the existence of operational procedures, preventative maintenance plans and specific programs supported by quality control systems which minimize the possibility of the occurrence and impact of these risks.

The hazards described above can cause significant personal injury or loss of life, severe damage to and destruction of property, plant and equipment, contamination of, or damage to, the environment and suspension of operations. The occurrence of any one of these events may result in us being named as a defendant in lawsuits asserting claims for substantial damages, environmental cleanup costs, personal injury and fines and/or penalties. We maintain an amount of insurance protection that we believe is adequate, but there can be no assurance that our insurance will be sufficient or effective under all circumstances and against all hazards or liabilities to which we may be subject. A successful claim for which we are not fully insured could hurt our financial results and materially harm our financial condition. Further, due to rising insurance costs and changes in the insurance markets, we cannot provide assurance that insurance coverage will continue to be available at all or on terms similar to those presently available to us. Any such losses not covered by insurance could have a material adverse effect on our financial condition, results of operations or cash flows.

Our ability to attract and retain skilled people could have a material adverse effect on our operations.

Our operating success and ability to carry out growth initiatives depends in part on our ability to retain executives and to attract and retain additional qualified personnel who have experience in our industry and in operating a company of our size and complexity, including people in our foreign businesses. The inability to attract and retain qualified personnel could have a material adverse effect on our business, because of the difficulty of promptly finding qualified replacements. In particular we routinely are required to assess the financial and tax impacts of complicated business transactions which occur on a worldwide basis. These assessments are dependent on hiring personnel on a worldwide basis with sufficient expertise in U.S. GAAP to timely and accurately comply with U.S. reporting obligations. An inability to maintain adequate internal accounting and managerial controls and hire and retain qualified personnel could have an adverse affect on our ability to report our financial condition and results of operations.

We have contractual obligations to certain customers to provide full requirements service, which makes it difficult to predict and plan for load requirements and may result in increased operating costs to certain of our businesses.

We have contractual obligations to certain customers to supply power to satisfy all or a portion of their energy requirements. The uncertainty regarding the amount of power that our power generation and distribution facilities must be prepared to supply to customers may increase our operating costs. A significant under or over-estimation of load requirements could result in our facilities not having enough or having too much power to cover their obligations, in which case we would be required to buy or sell power from or to third parties at prevailing market prices. Those prices may not be favorable and thus could increase our operating costs.

Much of our generation business is dependent on one or a limited number of customers and a limited number of fuel suppliers.

Many of our generation plants conduct business under long-term contracts. In these instances we rely on power sales contracts with one or a limited number of customers for the majority of, and in some case all of, the relevant plant's output and revenues over the term of the power sales contract. The remaining terms of the power sales contracts range from 1 to 25 years. In many cases, we also limit our exposure to fluctuations in fuel prices by entering into long-term contracts for fuel with a limited number of suppliers. In these instances, the cash flows and results of operations are dependent on the continued ability of customers and suppliers to meet their obligations under the relevant power sales contract or fuel supply contract, respectively. Some of our long-term power sales agreements are for prices above current spot market prices. The loss of significant power sales contracts or fuel supply contracts, or the failure by any of the parties to such contracts to fulfill our obligations thereunder, could have a material adverse impact on our business, results of operations and financial condition.

We have sought to reduce this counter-party credit risk under these contracts in part by entering into power sales contracts with utilities or other customers of strong credit quality and by obtaining guarantees from the sovereign government of the customer's obligations. However, many of our customers do not have, or have failed to maintain, an investment grade credit rating, and our Generation business can not always obtain government guarantees and if they do, the government does not always have an investment grade credit rating. We have also sought to reduce our credit risk by locating our plants in different geographic areas in order to mitigate the effects of regional economic downturns. However, there can be no assurance that our efforts to mitigate this risk will be successful.

Competition is increasing and could adversely affect us.

The power production markets in which we operate are characterized by numerous strong and capable competitors, many of whom may have extensive and diversified developmental or operating experience (including both domestic and international experience) and financial resources similar to or greater than us. Further, in recent years, the power production industry has been characterized by strong and increasing competition with respect to both obtaining power sales agreements and acquiring existing power generation assets. In certain markets these factors have caused reductions in prices contained in new power sales agreements and, in many cases, have caused higher acquisition prices for existing assets through competitive bidding practices. The evolution of competitive electricity markets and the development of highly efficient gas-fired power plants have also caused, or are anticipated to cause, price pressure in certain power markets where we sell or intend to sell power. The foregoing competitive factors could have a material adverse effect on us.

Our business and results of operations could be adversely affected by changes in our operating performance or cost structure.

We are in the business of generating and distributing electricity, which involves certain risks that can adversely affect financial and operating performance, including:

- changes in the availability of our generation facilities or distribution systems due to increases in scheduled and unscheduled plant outages, equipment failure, labor disputes, disruptions in fuel supply, inability to comply with regulatory or permit requirements or catastrophic events such as fires, floods, storms, hurricanes, earthquakes, explosions, terrorist acts or other similar occurrences; and

- changes in our operating cost structure including, but not limited to, increases in costs relating to: gas, coal, oil and other fuel; fuel transportation; purchased electricity; operations, maintenance and repair; environmental compliance, including the cost of purchasing emissions offsets and capital expenditures to install environmental emission equipment; transmission access; and insurance.

Any of the above risks could adversely affect our business and results of operations, and our ability to meet publicly announced projections or analysts' expectations.

Our business is subject to substantial development uncertainties.

Certain of our subsidiaries and affiliates are in various stages of developing and constructing "greenfield" power plants, some but not all of which have signed long-term contracts or made similar arrangements for the sale of electricity. Successful completion depends upon overcoming substantial risks, including, but not limited to, risks relating to failures of siting, financing, construction, permitting, governmental approvals or the potential for termination of the power sales contract as a result of a failure to meet certain milestones. We believe that capitalized costs for projects under development are recoverable; however, there can be no assurance that any individual project will be completed and reach commercial operation. If these development efforts are not successful, we may abandon a project under development and write off the costs incurred in connection with such project. At the time of abandonment, we would expense all capitalized development costs incurred in connection therewith and could incur additional losses associated with any related contingent liabilities.

Our acquisitions may not perform as expected.

Historically, we have achieved a majority of our growth through acquisitions. We plan to continue to grow our business through acquisitions. Although acquired businesses may have significant operating histories, we will have a limited or no history of owning and operating many of these businesses and possibly limited or no experience operating in the country or region where these businesses are located. Some of these businesses may be government owned and some may be operated as part of a larger integrated utility prior to their acquisition. If we were to acquire any of these types of businesses, there can be no assurance that:

- we will be successful in transitioning them to private ownership;

- such businesses will perform as expected;

- we will not incur unforeseen obligations or liabilities;

such business will generate sufficient cash flow to support the indebtedness incurred to acquire them or the capital expenditures needed to develop them; or

the rate of return from such businesses will justify our decision to invest our capital to acquire them.

In some of our joint venture projects, we have granted protective rights to minority holders or we own less than a majority of the equity in the project and do not manage or otherwise control the project, which entails certain risks.

We have invested in some joint ventures where we own less than a majority of the voting equity in the venture. Very often, we seek to exert a degree of influence with respect to the management and operation of projects in which we have less than a majority of the ownership interests by operating the project pursuant to a management contract, negotiating to obtain positions on management committees or to receive certain limited governance rights, such as rights to veto significant actions. However, we do not always have this type of control over the project in every instance; and we may be dependent on our co-venturers to operate such projects. Our co-venturers may not have the level of experience, technical expertise, human resources, management and other attributes necessary to operate these projects optimally. The approval of co-venturers also may be required for us to receive distributions of funds from projects or to transfer our interest in projects.

In some joint venture agreements where we do have majority control of the voting securities, we have entered into shareholder agreements granting protective minority rights to the other shareholders. For example, Brasiliana is a holding company in which we have a controlling equity interest and through which we own three of our four Brazilian businesses: Eletropaulo, Tiete and Uruguaiana. We entered into a shareholders' agreement with an affiliate of BNDES (referred to herein as BNDES) which owns more than 49 percent of the voting equity of Brasiliana. Among other things, the shareholders' agreement requires the consent of both parties before taking certain corporate actions, grants both parties rights of first refusal in connection with the sale of interests in Brasiliana and grants drag-along rights to BNDES. In May, 2007, BNDES notified us that it intends to sell all of its interest in Brasiliana pursuant to public auction (the "Brasiliana Sale"). BNDES also informed us that if we fail to exercise our right of first refusal to purchase all of its interest in Brasiliana, then BNDES intends to exercise its drag-along rights under the shareholders' agreement and cause us to sell all of our interests in Brasiliana in the Brasiliana Sale as well.

In accordance with the terms of the shareholders' agreement, we and BNDES have each selected appraisers to determine the value of Brasiliana. Since the valuations provided by these two appraisers differed by more than 10%, a third appraiser has been selected to also determine the value of Brasiliana. As of the date of this prospectus, the third appraiser has not completed its evaluation. Pursuant to the shareholders' agreement, the base sale price for BNDES to exercise its drag-along right will be the weighted average of the valuations provided by the three appraisers. Once a third party offer has been received in the Brasiliana Sale, we will have 30 days to exercise our right of first refusal to purchase all of BNDES's interest in Brasiliana on the same terms as the third-party offer. If we do not exercise this right and BNDES proceeds to exercise its drag-along rights, then we may be forced to sell all of our interest in Brasiliana. Due to the uncertainty in the sale price at this point in time, we are uncertain whether we will exercise our right of first refusal should BNDES receive a valid third-party offer in the Brasiliana Sale and, if we do, whether we would do it alone or with joint venture partners. Even if we desire to exercise our right of first refusal, we cannot assure you that we will have the cash on hand or that debt or equity financing will be available at acceptable terms in order to purchase BNDES's interest in Brasiliana. If we do not exercise our right of first refusal, we cannot assure you that we will not have to record a loss if the sale price is below the book-value of our investment in Brasiliana.

Our Alternative Energy businesses face uncertain operational risks.

In many instances, our Alternative Energy businesses target industries that are created by, or are significantly affected by technological innovation or new lines of business that are outside our core expertise of Generation and Utilities. Given the nascent nature of these industries, our ability to predict actual performance results may be hindered and we ultimately may not be successful in these areas.

Our Alternative Energy businesses may experience higher levels of volatility.

Our Alternative Energy efforts are, to some degree, focused on new or emerging markets. As these markets develop, long-term fixed price contracts for the major cost and revenue components may be unavailable, which may result in these businesses having relatively high levels of volatility.

Risks associated with Governmental Regulation and Laws

Our operations are subject to significant government regulation and our business and results of operations could be adversely affected by changes in the law or regulatory schemes.

Our inability to predict, influence or respond appropriately to changes in law or regulatory schemes, including any inability to obtain expected or contracted increases in electricity tariff rates or tariff adjustments for increased expenses, could adversely impact our results of operations or our ability to meet publicly announced projections or analyst's expectations. Furthermore, changes in laws or regulations or changes in the application or interpretation of regulatory provisions in jurisdictions where we operate, particularly our Utilities where electricity tariffs are subject to regulatory review or approval, could adversely affect our business, including, but not limited to:

- changes in the determination, definition or classification of costs to be included as reimbursable or pass-through costs;
- changes in the definition or determination of controllable or non-controllable costs;
- changes in the definition of events which may or may not qualify as changes in economic equilibrium;
- changes in the timing of tariff increases; or
- other changes in the regulatory determinations under the relevant concessions.

Any of the above events may result in lower margins for the affected businesses, which can adversely affect our business.

Our Generation business in the United States is subject to the provisions of various laws and regulations administered in whole or in part by the FERC, including the Public Utility Regulatory Policies Act of 1978 ("PURPA") and the Federal Power Act. The recently enacted Energy Policy Act of 2005 ("EPAct 2005") made a number of changes to these and other laws that may affect our business. Actions by the FERC and by state utility commissions can have a material effect on our operations.

EPAct 2005 authorizes the FERC to remove the obligation of electric utilities under Section 210 of PURPA to enter into new contracts for the purchase or sale of electricity from or to 'Qualified Facilities' ("QFs") if certain market conditions are met. Pursuant to this authority, the FERC has proposed to remove the purchase/sale obligation for all utilities located within the control areas of the Midwest Transmission System Operator, Inc., PJM Interconnection, L.L.C., ISO New England, Inc. and the New York Independent System Operator. In addition, the FERC is authorized under the new law to remove the purchase/sale obligations of individual utilities on a case-by-case basis. While the new law does not affect existing contracts, as a result of the changes to PURPA, our QFs may face a more difficult market environment when their current long-term contracts expire.

EPAct 2005 repealed PUHCA of 1935 and enacted PUHCA of 2005 in its place. PUHCA 1935 had the effect of requiring utility holding companies to operate in geographically proximate regions and therefore limited the range of potential combinations and mergers among utilities. By comparison PUHCA 2005 has no such restrictions and simply provides the FERC and state utility commissions with enhanced access to the books and records of certain utility holding companies. The repeal of PUHCA 1935 may spur an increased number of mergers and the creation of large, geographically dispersed utility holding companies. These entities may have enhanced financial strength and therefore an increased ability to compete with us in the U.S. generation market.

In accordance with Congressional mandates in the Energy Policy Act of 1992 and now in EPAct 2005, the FERC has strongly encouraged competition in wholesale electric markets. Increased competition may have the effect of lowering our operating margins. Among other steps the FERC has encouraged regional transmission organizations and independent system operators to develop demand response bidding programs as a mechanism for responding to peak electric demand. These programs may reduce the value of our peaking assets which rely on very high prices during a relatively small number of hours to recover their costs. Similarly, the FERC is encouraging the construction of new transmission infrastructure in accordance with provisions of EPAct 2005. Although new transmission lines may increase market opportunities, they may also increase the competition in our existing markets.

While the FERC continues to promote competition, some state utility commissions have reversed course and begun to encourage the construction of generation facilities by traditional utilities to be paid for on a cost-of-service basis by retail ratepayers. Such actions have the effect of reducing sale opportunities in the competitive wholesale generating markets in which we operate.

Finally, EPAct 2005 affects nearly every aspect of the energy business and energy regulation. We are still in the process of analyzing the new law's effects, and those effects could have a material adverse effect on our business.

Our businesses are subject to stringent environmental laws and regulations.

Our activities are subject to stringent environmental laws and regulation by many federal, state and local authorities, international treaties and foreign governmental authorities. These regulations generally involve emissions into the air, effluents into the water, use of water, wetlands preservation, remediation of contamination, waste disposal, endangered species and noise regulation, among others. Failure to comply with such laws and regulations or to obtain any necessary environmental permits pursuant to such laws and regulations could result in fines or other sanctions. Environmental laws and regulations affecting power generation and distribution are complex and have tended to become more stringent over time. Congress and other domestic and foreign governmental authorities have either considered or implemented various laws and regulations to restrict or tax certain emissions, particularly those involving air and water emissions. See the various descriptions of these laws and regulations contained in "Business Environmental and Land Use Regulations." These laws and regulations have imposed, and proposed laws and regulations could impose in the future, additional costs on the operation of our power plants. We have made and will continue to make significant capital and other expenditures to comply with these and other environmental laws and regulations. Changes in, or new, environmental restrictions may force us to incur significant expenses or that may exceed our estimates. There can be no assurance that we would be able to recover all or any increased environmental costs from our customers or that our business, financial condition or results of operations would not be materially and adversely affected by such expenditures or any changes in domestic or foreign environmental laws and regulations.

We and our affiliates are subject to material litigation and regulatory proceedings.

We and our affiliates are parties to material litigation and regulatory proceedings. See "Business Legal Proceedings" below. There can be no assurances that the outcome of such matters will not have a material adverse effect on our consolidated financial position.

The SEC is conducting an informal inquiry relating to our restatements.

We have been cooperating with an informal inquiry by the SEC Staff concerning our restatements and related matters, and have been providing information and documents to the SEC Staff on a voluntary basis. Because we are unable to predict the outcome of this inquiry, the SEC Staff may disagree with the manner in which we have accounted for and reported the financial impact of the adjustments to previously filed financial statements and there may be a risk that the inquiry by the SEC could lead to circumstances in which we may have to further restate previously filed financial statements, amend prior filings or take other actions not currently contemplated.

RATIO OF EARNINGS TO FIXED CHARGES

Our ratio of earnings to fixed charges is as follows:

	Nine Months Ended September 30,	Year Ended December 31,				
	2007	2006	2005	2004	2003	2002
		(restated)	(restated)	(restated)	(restated)	(restated)
Ratio of Earnings to Fixed Charges*	1.74x	1.20x	1.43x	1.25x	1.17x	0.18x*

* Earnings were inadequate to cover fixed charges for the year ended December 31, 2002. The dollar amount of the earnings deficiency was $1.596 billion.

For the purpose of computing the ratio of earnings to fixed charges, earnings consist of income from continuing operations before income taxes and minority interest, plus depreciation of previously capitalized interest, plus fixed charges, less capitalized interest, less excess of earnings over dividends of less-than-fifty-percent-owned companies, less minority interest in pre-tax income of subsidiaries that have not incurred fixed charges, less preference security dividend requirements of a consolidated subsidiary. Fixed charges consist of interest (including capitalized interest) on all indebtedness, amortization of debt discount and capitalized expenses, preference security dividend requirements of a consolidated subsidiary, and that portion of rental expense which we believe to be representative of an interest factor.

USE OF PROCEEDS

We will not receive any proceeds from the exchange offer. In consideration for issuing the exchange notes contemplated by this prospectus, we will receive unregistered notes from you in like principal amount. The unregistered notes surrendered in exchange for the exchange notes will be retired and canceled and cannot be reissued. Accordingly, issuance of the exchange notes will not result in any change to our indebtedness.

SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth our selected financial data as of the dates and for the periods indicated. We derived the statement of operations data for the years ended December 31, 2004, 2005 and 2006 and the balance sheet data as of December 31, 2005 and 2006 from our audited consolidated financial statements included in this prospectus. We derived the statement of operations data for the years ended December 31, 2002 and 2003 and the balance sheet data as of December 31, 2002, 2003 and 2004 from our audited consolidated financial statements for those years, which are not included in this prospectus. We derived the statement of operations data for the nine months ended September 30, 2006 and 2007, and the balance sheet data as of September 30, 2007, from our unaudited condensed consolidated financial statements (hereinafter our "unaudited consolidated financial statements" and together with our audited consolidated financial statements, our "consolidated financial statements") included in this prospectus. We derived the historical balance sheet data as of September 30, 2006, from our unaudited condensed consolidated balance sheet, which is not included in this prospectus.

Our unaudited consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements and, in our opinion, reflect all adjustments, consisting only of normal and recurring adjustments, necessary for a fair presentation of such financial statements in all material respects. The results for any interim period are not necessarily indicative of the results that may be expected for a full year or any future period. You should read the selected historical consolidated financial data in conjunction with the information included under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and accompanying notes included in this prospectus.

The information presented in the following tables has been adjusted to reflect the restatements of our financial results which are more fully described in note 1 to our audited consolidated financial statements under the caption "General and Summary of Significant Accounting Policies Restatement" and in note 1 to our unaudited consolidated financial statements under the caption "Financial Statement Presentation Restatement of Consolidated Financial Statements" included in this prospectus.

Acquisitions, disposals, reclassifications and changes in accounting principles affect the comparability of information included in the tables below. Please refer to the notes to our consolidated financial statements included in this prospectus for further explanation of the effect of such activities.

	Nine Months Ended September 30,		(Restated)(1) Year Ended December 31,				
	2007	2006	2006	2005	2004	2003	2002
		(Restated)(1)					
	(Dollars and shares in millions, except per share amounts)						
Statement of Operations Data:							
Revenues	$ 9,924	$ 8,615	$ 11,564	$ 10,320	$ 8,745	$ 7,708	$ 6,653
Income (loss) from continuing operations	482	149	135	402	172	183	(1,845)
Discontinued operations, net of tax	(594)	20	48	188	132	(681)	(1,821)
Extraordinary item, net of tax		21	21				
Cumulative effect of change in accounting principle, net of tax				(3)		41	(376)
Net (loss) income available to common stockholders	$ (112)	$ 190	$ 204	$ 587	$ 304	$ (457)	$ (4,042)

Basic earnings (loss) earnings per share:							
Income (loss) from continuing operations	$ 0.72	$ 0.23	$ 0.21	$ 0.62	$ 0.27	$ 0.32	$ (3.42)
Discontinued operations	(0.89)	0.03	0.07	0.29	0.20	(1.16)	(3.38)
Extraordinary item, net of tax		0.03	0.03				
Cumulative effect of change in accounting principle				(0.01)		0.07	(0.70)
Basic earnings (loss) per share	$ (0.17)	$ 0.29	$ 0.31	$ 0.90	$ 0.47	$ (0.77)	$ (7.50)
Diluted earnings (loss) per share:							
Income (loss) from continuing operations	$ 0.71	$ 0.22	$ 0.20	$ 0.61	$ 0.27	$ 0.32	$ (3.42)
Discontinued operations	(0.88)	0.03	0.07	0.28	0.20	(1.16)	(3.38)
Extraordinary item, net of tax		0.03	0.03				
Cumulative effect of change in accounting principle				(0.01)		0.07	(0.70)
Diluted earnings (loss) per share	$ (0.17)	$ 0.28	$ 0.30	$ 0.88	$ 0.47	$ (0.77)	$ (7.50)

	Nine Months Ended September 30,	(Restated) December 31,				
	2007	**2006**	**2005**	**2004**	**2003**	**2002**
	(Dollars in millions)					
Balance Sheet Data:						
Total assets	$ 33,350	$ 31,201	$ 28,995	$ 28,417	$ 29,133	$ 34,516
Non-recourse debt (long-term)	11,058	$ 9,834	$ 10,318	$ 10,587	$ 10,055	$ 5,117
Non-recourse debt (long-term) Discontinued operations		$ 324	$ 453	$ 726	$ 702	$ 4,768
Recourse debt (long-term)	4,484	$ 4,790	$ 4,682	$ 5,010	$ 5,862	$ 6,755
Stockholders' equity (deficit)	3,199	$ 2,965	$ 1,612	$ 957(3)	$ (121)(3)	$ (823)(2)(3)

(1) See note 1 to our audited consolidated financial statements under the caption "General and Summary of Significant Accounting Policies Restatement" and in note 1 to our unaudited consolidated financial statements under the caption "Financial Statement Presentation Restatement of Consolidated Financial Statements" included in this prospectus.

(2) A $28 million reduction to Stockholders' equity was recognized as of January 1, 2002 as the cumulative effect of the correction of errors for all periods preceding January 1, 2002. The correction was not material to the financial data presented herein as of and for the five years ended December 31, 2002 December 31, 2006.

(3) The impact of the restatement adjustments on stockholders' equity were $(4), $(19) and $32 million as of December 31, 2004, 2003 and 2002, respectively. The impact of the restatement adjustments to net income was an increase to net losses of $5 million and $41 million for the years ended December 31, 2003 and 2002, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our Businesses

AES is one of the world's largest global power companies, providing essential electricity services in 28 countries on five continents. We operate two main types of businesses. The first is our distribution and transmission business, which we refer to as Utilities, in which we operate electric utilities and sell power to customers in the retail (including residential), commercial, industrial and governmental sectors. These customers are typically end users of electricity. The second is our Generation business, where we sell power to wholesale customers such as utilities or other intermediaries. The revenues and earnings growth of both our Utilities and Generation businesses vary with changes in electricity demand.

Our Utilities business consists primarily of 15 distribution companies owned or operated under management agreements in eight countries with over 11 million end-user customers. All of these companies operate in a defined service area. This segment is composed of:

- integrated utilities located in:
  - The United States IPL,
  - Cameroon AES SONEL.
- distribution companies located in:
  - Brazil AES Eletropaulo and AES Sul,
  - Argentina EDELAP and EDES,
  - Dominican Republic EDE Este,
  - El Salvador CAESS, AES CLESA, DEUSEM and Empresa EEO,
  - Kazakhstan Eastern Kazakhstan REC and Ust Kamenogorsk Heat Nets, and
  - Ukraine Kievoblenergo and Rivneenergo.

Performance drivers for these businesses include, among other things, reliability of service, management of working capital, negotiation of tariff adjustments, compliance with extensive regulatory requirements and, in developing countries, reduction of commercial and technical losses.

Utilities face relatively little direct competition due to significant barriers to entry which are present in these markets. In this segment, we primarily face competition in our efforts to acquire businesses. We compete against a number of other participants, some of which have greater financial resources, have been engaged in distribution related businesses for periods longer than we have, and have accumulated more significant portfolios. Relevant competitive factors for Utilities include financial resources, governmental assistance, regulatory restrictions and access to non-recourse financing. In certain locations, our utilities face increased competition as a result of changes in laws and regulations which allow wholesale and retail services to be provided on a competitive basis. We can provide no assurance that deregulation will not adversely affect the future operations, cash flows and financial condition of our Utilities business. The results of operations of our Utilities business are sensitive to changes in economic growth and regulation, abnormal weather conditions in the area in which they operate, as well as the success of the operational changes that have been implemented (especially in emerging markets).

In our Generation business, we generate and sell electricity primarily to wholesale customers. Performance drivers for our Generation business include, among other things, plant reliability, fuel costs and fixed-cost management. Growth in this business is largely tied to securing new power purchase agreements, expanding capacity in our existing facilities and building new power plants. Our Generation business includes our interests in 97 power generation facilities owned or operated under management agreements totaling 37 gigawatts of capacity installed in 22 countries.

Approximately 68% of the revenues from our Generation business are from plants that operate under power purchase agreements of five years or longer for 75% or more of the output capacity. These long-term contracts reduce the risk associated with volatility in the market price for electricity. We also reduce our exposure to fuel supply risks by entering into long-term fuel supply contracts or through fuel tolling contracts where the customer assumes full responsibility for purchasing and supplying the fuel to the power plant. As a result of these contractual agreements, these facilities have relatively predictable cash flows and earnings. These facilities face most of their competition prior to the execution of a power sales agreement, often during the development phase of a project or upon expiration of an existing agreement. Our competitors for these contracts include other independent power producers and equipment manufacturers, as well as various utilities and their affiliates. During the operational phase, we traditionally have faced limited competition due to the long-term nature of the generation contracts. However, since competitive power markets have been introduced and new market participants have been added, we have and will continue to encounter increased competition in attracting new customers and maintaining our current customers as our existing contracts expire.

The balance of our Generation business sells power through competitive markets under short term contracts or directly in the spot market. As a result, the cash flows and earnings associated with these facilities are more sensitive to fluctuations in the market price for electricity, natural gas, coal and other fuels. However, for a number of these facilities, including our plants in New York, which include a fleet of low-cost coal fired plants, we have hedged the majority of our exposure to fuel, energy and emissions pricing for the next several years. These facilities compete with numerous other independent power producers, energy marketers and traders, energy merchants, transmission and distribution providers and retail energy suppliers. Competitive factors for these facilities include price, reliability, operational cost and third party credit requirements.

As described above, AES operates within two primary businesses, the generation of electricity and the distribution of electricity. AES previously reported its financial results in three business segments: contract generation, competitive supply and regulated utilities. As of December 31, 2006, we have changed the definition of our segments in order to report information by geographic region and by line of business. We believe this change more accurately reflects the manner in which we manage the Company.

Our businesses include Utilities and Generation within four defined geographic regions: (1) North America, (2) Latin America, (3) Europe, CIS and Africa, which we refer to as "Europe & Africa" and (4) Asia and the Middle East, which we refer to as "Asia". Three regions, North America, Latin America and Europe & Africa, are engaged in both our Generation and Utility businesses. Our Asia region only has Generation businesses. Accordingly, these businesses and regions account for seven segments. "Corporate and Other" includes corporate overhead costs which are not directly associated with the operations of our seven primary operating segments; interest income and expense; other intercompany charges such as management fees and self-insurance premiums which are fully eliminated in consolidation; and development and operational costs related to our Alternative Energy business which is currently not material to our presentation of operating segments. Under AES's Alternative Energy group, AES operates 1,015 MW of wind generation in the United States.

Our goal is to continue building on our traditional lines of business, while expanding into other essential energy-related areas. We believe that this is a natural expansion for us. As we move into new lines of business, we will leverage the competitive advantages that result from our unique global footprint, local market insights and our operational and business development expertise. We also will build on our existing capabilities in areas beyond power including greenhouse gas emissions offset projects, electricity transmission, water desalination, and other businesses. As we continue to expand and grow our business, we will maintain a focus on efforts to improve our business operations and management processes, including our internal controls over financial reporting.

Our business strategy is focused on global growth in our core generation and utilities businesses along with growth in related markets such as alternative energy, electricity transmission and water desalination. We continue to emphasize growth through "greenfield" development, platform expansion, privatization of government-owned assets, and mergers and acquisitions and continue to develop and maintain a strong development pipeline of projects and opportunities. The Company sees growth investments as the most significant contributor to long-term shareholder value creation. The Company's growth strategies are complemented by an increased emphasis on portfolio management through which AES has and will continue to sell or monetize a portion of certain businesses or assets when market values appear significantly higher than the Company's own assessment of value in the AES portfolio.

Underpinning this growth focus is an operating model which benefits from a diverse power generation portfolio that is largely contracted, reducing fuel cost and demand risks, and from an electric utility portfolio heavily weighted to faster-growing emerging markets.

The Company believes that success with its business development activities will be the single most important factor in its financial success in terms of value creation and it is directing increasing resources in support of business development globally. The Company also believes that high oil prices, increasing regulation of greenhouse gases, faster than expected global economic growth and a weak dollar present opportunities for value creation, based on the Company's current business portfolio and business strategies. Slower global economic growth, which will impact demand growth for utilities and some generation businesses, is one of the most significant downside scenarios affecting value creation. Other important scenarios that could impair future value include low oil prices and a strong dollar.

Restatement of Consolidated Financial Statements

The Company restated its consolidated financial statements as of and for the years ended December 31, 2004, 2005, and 2006 in its 2006 Form 10-K/A filed with the Securities and Exchange Commission (the "SEC") on August 7, 2007, which consolidated financial statements are included in this prospectus. The adjustments presented in the restatement were the result of the identification of certain financial statement errors relating to these years, which had they been corrected on a cumulative basis in the 2006 consolidated financial statements, would have materially misstated the results of operations in 2006 and prior periods.

The Company also restated the previously issued condensed consolidated financial statements for the three months ended March 31, 2006 and 2007 in its 10-Q/A filed with the SEC on August 17, 2007, for the three and six months ended June 30, 2006 in its Form 10-Q filed with the SEC on August 9, 2007 and for the three and nine months ended September 30, 2006 in its Form 10-Q filed on November 6, 2007. The errors that were identified related to accounting for derivative instruments, leases, income taxes, share-based compensation and certain items in the Company's Brazil and EDC subsidiaries.

In each of these restatements, the prior period financial statements were also restated to:

- reflect the change in the Company's segments as discussed in Note 22 ("Segment and Geographic Information") to the Company's audited consolidated financial statements and note 10 ("Segments") to the Company's unaudited consolidated financial statements included in this prospectus and

- to reclassify and conform the presentation of various businesses subsequently reported as discontinued operations as more fully discussed in Note 1 ("General and Summary of Significant Accounting Policies Restatement B. Narrative Discussion of Adjustments and

Reclassifications 3. Reclassifications into Discontinued Operations presented in this prospectus") and Note 20 ("Discontinued Operations") of our audited consolidated financial statements and note 7 ("Discontinued Operations") in our unaudited consolidated financial statements included in this prospectus.

The following management's discussion and analysis of financial condition and results of operations reflects the correction of errors that were contained in the Company's prior period financial statements, the change in the Company's segments and the reclassification of businesses reported as discontinued operations. For a more detailed discussion of these matters, see the notes referred to above.

2006 Performance Highlights

	December 31,		
	2006	2005	2004
	($ in millions)		
Revenue	$ 11,564	$ 10,320	$ 8,745
Gross Margin	3,398	2,928	2,558
Gross Margin as a % of Revenue	29.4%	28.4%	29.3%
Diluted Earnings Per Share from Continuing Operations	0.20	0.61	0.27
Net Cash Provided by Operating Activities	2,360	2,232	1,497

Revenue

We achieved record revenues of $11.6 billion, an increase of 12.6% from $10.3 billion last year. Higher power prices, largely driven by the pass-through of higher fuel costs, together with increased demand and favorable foreign currency trends were the primary contributors.

Gross margin

We achieved record gross margin of $3.4 billion, an increase of 16.1% from $2.9 billion in 2005. Favorable volume and foreign currency translation were the primary contributors to the increase.

Diluted earnings per share from continuing operations

Diluted earnings per share from continuing operations were $0.20 compared to $0.61 in 2005. This decrease was primarily driven by the Brazil restructuring charges. Excluding the Brazil restructuring charges, earnings per share increased due to higher gross margin (primarily Latin American volume and foreign exchange) and lower net interest expense (debt retirements and lower interest rates). These gains were partially offset by higher general and administrative expenses resulting from increased development spending. The restructuring of our Brazil holding company, Brasiliana, eliminated restrictions on dividend payments to AES from three of our four principal Brazil businesses (Eletropaulo, Tiete, and Uruguaiana). The restructuring resulted in non-cash after-tax charges of approximately $500 million, or $0.76 per share, primarily related to a loss on sale of Eletropaulo stock in a secondary offering, recognizing deferred currency adjustments and certain debt prepayment premiums, partially offset by favorable tax benefits.

Net cash from operating activities

We also achieved record cash flows from operating activities of $2.4 billion, 5.7% higher than 2005. Higher operating cash flows primarily reflect an increase in net earnings adjusted for non cash items.

Nine Months Ended September 30, 2007 Performance Highlights

The following table provides operating highlights for the three and nine months ended September 30, 2007 and 2006, respectively.

	Nine Months Ended September 30,		
	2007	2006	% Change
		(Restated) (in millions, except per share amounts)	
Revenue	$ 9,924	$ 8,615	15 %
Gross margin	$ 2,584	$ 2,598	(1)%
Diluted earnings per share from continuing operations	$ 0.71	$ 0.22	223 %
Net cash provided by operating activities	$ 1,848	$ 1,879	(2)%

Revenue

Revenue increased 15% to $9.9 billion for the nine months ended September 30, 2007 compared with the same period in 2006 primarily due to higher rates and volume, foreign currency translation and the acquisition of Termoelectrica del Golfo ("TEG")/Termoelectrica del Peñoles ("TEP") and a controlling interest in Itabo.

Gross margin

During the same period, gross margin decreased slightly as increased cost and lower volume related to gas supply curtailment and hydrology issues in Latin America and lower emission allowance sales offset the impact of favorable foreign currency translation, higher rates and volume in North America and contributions from new businesses.

Diluted earnings per share from continuing operations

Diluted earnings per share from continuing operations increased $0.49 or 223%, primarily due to a restructuring of certain of the Company's Brazilian subsidiaries in third quarter 2006. This restructuring resulted in a non-cash, after-tax charge of approximately $500 million, or $0.76 per diluted share. Additionally, first quarter 2006 results included an $87 million gain, or $0.13 per diluted share, associated with the sale of Kingston in Ontario. Excluding the impacts of these transactions, the increase in earnings per diluted share from continuing operations was primarily driven by the increased cost and lower volume related to gas supply curtailments and hydrology issues in Latin America, lower sales of excess emission allowances and increased spending to strengthen our financial organization and support new business development initiatives and, partially offset by favorable foreign currency trends, higher rates and volume in North America and contributions from new businesses.

Net cash provided by operating activities

Net cash provided by operating activities decreased 2% or $31 million for the nine months ended September 30, 2007 primarily due to the sale of EDC in May 2007. Excluding the impacts from EDC, net cash from operating activities would have increased by approximately $162 million driven by an overall increase in net working capital resulting from an increase in accounts payable and other accrued liabilities offset by increased accounts receivable.

Sale of EDC

On February 22, 2007, we entered into a definitive agreement with PDVSA dated February 15, 2007, to sell all of our shares of EDC, a Latin America distribution business reported in the Latin America Utilities segment, for $739 million net of any withholding taxes. In addition, the agreement provided for the payment of a US$120 million dividend in 2007. On March 1, 2007, the shareholders of

EDC approved and declared a US$120 million dividend to all shareholders of record as of March 9, 2007. A wholly-owned subsidiary of the Company was the owner of 82.14% of the outstanding shares of EDC, and therefore, on May 31, 2007, this subsidiary received approximately US$97 million in dividends.

The closing of the sale of EDC and the payment of the purchase price occurred on May 16, 2007. During the first quarter of 2007, the Company recognized an impairment charge of approximately $638 million related to this sale. As a result of the final disposition of EDC in May 2007, the Company recognized an additional impairment charge of approximately $38 million net of income and withholding taxes. The total impairment charge of $676 million represented the net book value of the Company's investment in EDC less the selling price. The impairment expense is included in the loss from disposal of discontinued business line item on the statement of operations for all periods presented in this prospectus.

Key Initiatives

People Development

People development continues to be a major initiative as we look to improve our technical and leadership skills. We continued to expand the AES Learning Center, a program developed in partnership with the University of Virginia's Darden School of Business, which offers a range of courses on effective leadership, general management and functional skills, such as finance. In 2006, the Center launched a Financial Leadership Development Program to elevate performance among our financial groups worldwide. We also expanded the program internationally to Brazil, Cameroon, Kazakhstan, the Middle East and Ukraine. In addition to classroom training, we added an online AES Learning Center and now have an inventory of more than 150 technical and managerial courses offered online, making these classes available on a real-time basis.

We continue to place top priority on ensuring a safe working environment for AES people, contractors and customers.

Material Weakness Remediation

Over the course of the past year, the Company has worked diligently to continue to strengthen its controls over financial reporting, with particular emphasis on remediating its material weaknesses. For further discussion of the status of the Company's material weaknesses as of September 30, 2007, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations Controls and Procedures."

Debt Restructuring

Our existing businesses continued to focus on plant and distribution system operational excellence, reliability and customer service. We also benefited from favorable debt capital markets in a number of countries to restructure and refinance debt, extend maturities, and increase liquidity. In many instances favorable market conditions permitted refinancing dollar-denominated obligations into local currency, to reduce overall foreign exchange exposure.

On October 10, 2007, the Company issued the unregistered 2015 notes and the unregistered 2017 notes, which are hereby offered for exchange for the exchange 2015 notes and the exchange 2017 notes, respectively.

For further discussion of the terms of the exchange notes, please see "Description of the Exchange Notes."

Growth Projects and Building a Pipeline of New Initiatives

Portfolio management, which can include business restructuring and sale of all or a portion of businesses, was an important area of focus and success in 2006. We achieved important milestones in restructuring several of our Brazil businesses through a secondary offering of shares in our Eletropaulo subsidiary and using the proceeds to retire debt that had restrictive covenants precluding dividend payments to be received by AES. We sold a minority share of our Gener subsidiary in Chile, which increased the liquidity of those shares and we believe reduced the discount the local Chile stock market had been placing on Gener shares due to the prior illiquidity. We also sold our 50% equity position in a power project in Canada and sold a power plant in the U.K., both in negotiated transactions. We have worked to manage operational and financial risk through appropriate use of interest rate, energy, and foreign exchange risk management instruments and through effective procurement strategies.

The Company continues to maintain a robust development pipeline. We are increasing resources in 2007 at both the corporate and business level in support of business development opportunities, which may include expansions at existing locations, which we call platform extensions, new greenfield investments, privatization of government assets, and mergers and acquisitions. In addition, as part of our efforts to identify attractive investment opportunities in related businesses, we look to participate in adjacent energy and infrastructure businesses such as wind power generation, reducing or offsetting greenhouse gas emissions, Liquid Natural Gas ("LNG") regasification, desalination and other alternative energy initiatives. These efforts may result in forming joint ventures, technology sharing or licensing arrangements, and other innovative market offerings.

In our core power and alternative energy businesses, we continued to build a strong development pipeline of projects, primarily platform expansions and new construction projects that follow our long-term contract generation business model. In the core Generation business, we brought one new power project into service in 2006, a 1,200 MW, $920 million gas-fired power project in Cartagena, Spain (included in Europe & Africa generation). We began construction on a new 670 MW lignite-fired power plant in Bulgaria, supported by a long-term customer contract, and have secured new long-term customer contracts for new projects in Chile, Jordan and Panama. We also entered into purchase agreements to acquire two generation facilities in Mexico, which we consummated in February 2007.

During the third quarter of 2007, we announced plans to begin construction of the Buffalo Gap 3 wind farm, a 170 MW expansion of its Buffalo Gap wind farm in Texas. Once completed, the project will increase capacity at Buffalo Gap to 524 MW, making it one of the largest operating wind farms in the United States. We also announced plans to expand its wind generation business into China through the creation of a joint venture with Guohua Energy Investment Co. Ltd., one of China's leading producers of renewable energy. The joint venture will construct, own, and operate a 49.5 MW wind farm. Through its investment in the joint venture, we will become the first U.S.-based power company with wind generation facilities in China.

In the third quarter of 2007, we announced that the Department of Minerals and Energy of the Republic of South Africa (DME) has selected the AES consortium as the Preferred Bidder to build, own and operate two open cycle gas turbine peaking power plants, a 760 MW plant in KwaZulu Natal Province and a 342 MW plant in the Eastern Cape Province. We were also declared the winning bidder to acquire the 660 MW Masinloc coal fired plant in the Philippines.

The Company's project backlog of construction projects as of September 30, 2007 totaled 1,982 gross MW of new generation capacity with a total expected investment of approximately $3.5 billion through 2010.

We expect to fund growth investments from net cash from operating activities and/or the proceeds from the issuance of debt, common stock or other securities, asset sales, and partner equity contributions. Certain of the alternative energy business opportunities may be considered start-up businesses that will need to be funded initially through cash equity contributions, and may have limited debt financing opportunities initially. We believe there are sufficient attractive investment opportunities that may exceed available cash and net cash from operating activities in future periods.

Critical Accounting Estimates

The consolidated financial statements of AES are prepared in conformity with generally accepted accounting principles in the United States of America, which requires the use of estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. AES's significant accounting policies are described in note 1 to the audited consolidated financial statements included in this prospectus

An accounting estimate is considered critical if:

the estimate requires management to make assumptions about matters that were highly uncertain at the time the estimate was made;

different estimates reasonably could have been used; or

the