The AES Corporation

December 2011



Safe Harbor Disclosure

Certain statements in the following presentation regarding AES' business operations may constitute "forward-looking statements." Such forward-looking statements include, but are not limited to, those related to future earnings growth and financial and operating performance. Forward-looking statements are not intended to be a guarantee of future results, but instead constitute AES' current expectations based on reasonable assumptions. Forecasted financial information is based on certain material assumptions. These assumptions include, but are not limited to accurate projections of future interest rates, commodity prices and foreign currency pricing, continued normal or better levels of operating performance and electricity demand at our distribution companies and operational performance at our generation businesses consistent with historical levels, as well as achievements of planned productivity improvements and incremental growth from investments at investment levels and rates of return consistent with prior experience. For additional assumptions see Slide 29 and the Appendix to this presentation. Actual results could differ materially from those projected in our forward-looking statements due to risks, uncertainties and other factors. Important factors that could affect actual results are discussed in AES' filings with the Securities and Exchange Commission including but not limited to the risks discussed under Item 1A "Risk Factors" in the AES' 2010 Annual Report on Form 10-K and the Form 10-Q for the quarters ended March 31, 2011 and September 30, 2011, as well as our other SEC filings. AES undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

AES' Transformation Plan to Unlock Shareholder Value

	Today	Medium-Term Goals
Core Markets: Operating Assets	■ U.S., Brazil & Chile ■ Select other markets/ businesses	■ U.S., Brazil & Chile ■ Select other markets/businesses ■ Completed development projects
Core Markets: Development	■ Turkey, Southeast Asia, India & Renewables in select markets	■ Markets with high growth where AES has a competitive advantage
% of Proportional Adjusted Gross Margin[1] from Core Markets	■ 65%-75%	■ Targeting ~80%-90%
Leverage	■ BB-	■ Strong BB, implying at least one notch upgrade
Dividend	■ Announced $120 million annual level, to be effective Q4 2012	■ To grow consistent with cash flow and market conditions
Cost Reductions	■ $100 million in annual savings achieved by end of 2013	■ Continuous improvement

1. A non-GAAP financial measure. See Appendix for definition and reconciliation.

Key Near-Term Priorities

1. Grow through platform expansion and focused development in core markets
2. Narrow our geographic focus
3. Optimize profitability
4. Improve capital structure and return cash to shareholders

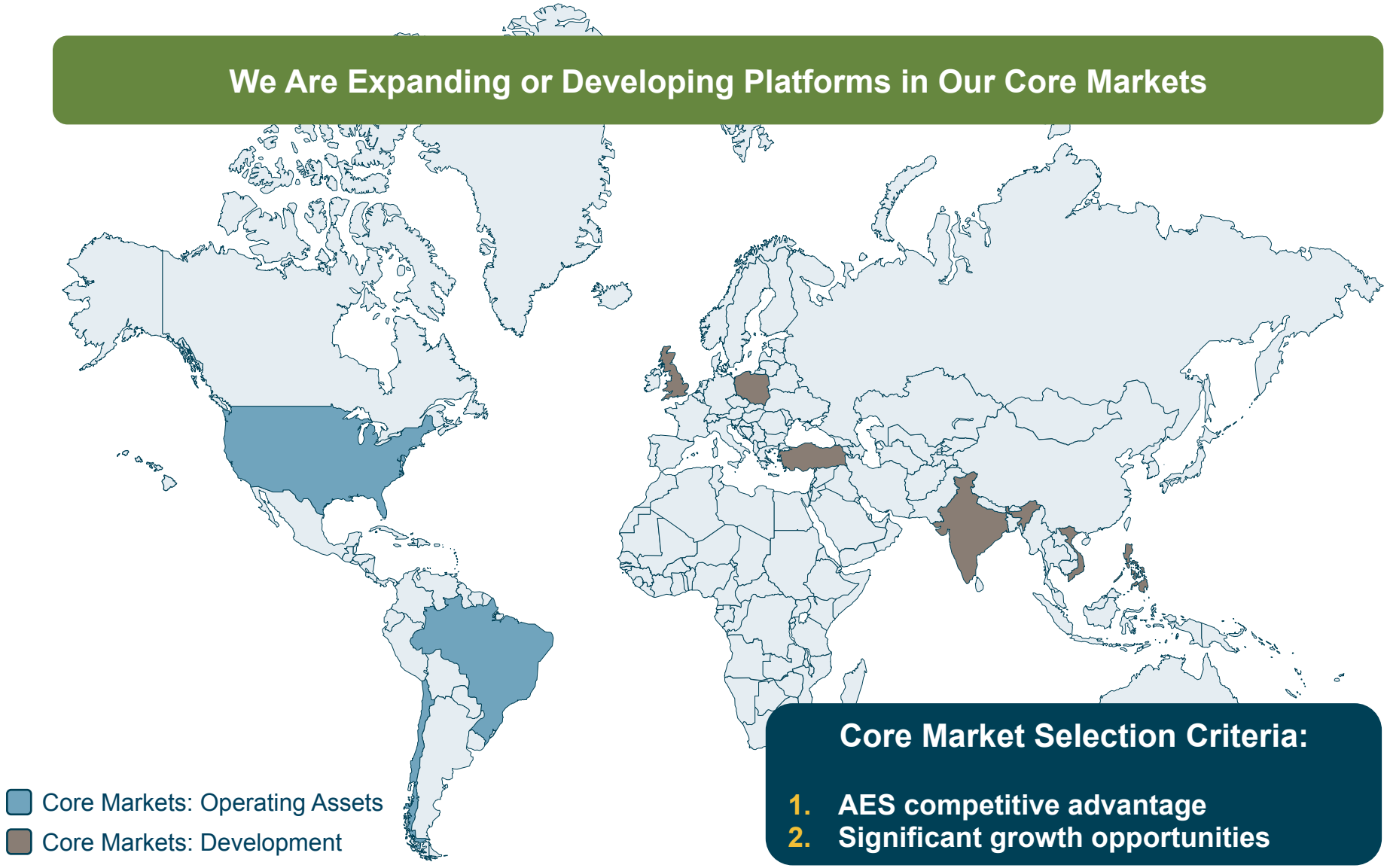
Highlights From Last 90 Days

- Signed or closed asset sales representing $300 million in proceeds
- Accelerated cost reduction program by leveraging new organizational structure
- Announced intent to initiate a dividend in Q3 2012
- Closed acquisition of DP&L

Focus on delivering attractive risk-adjusted total shareholder return

Focused Growth Strategy – Fewer Markets, Better Results

We Are Expanding or Developing Platforms in Our Core Markets



Core Market Selection Criteria:

1. **AES competitive advantage**
2. **Significant growth opportunities**

Platform Expansions: Enhancing Development Efficiency & Increasing Our Hit Rate

Identify & Capitalize on Opportunities Quickly

- Know the market and how to get things done
- React to new opportunities quickly
- Example:
  - AES Gener in Chile was first to commission new coal plants post-Argentine gas curtailments

Leverage Existing Resources & Relationships

- Benefit from talent available at our operating assets, as well as existing regulatory relationships and knowledge of market – "lay of the land"
- Significantly reduced development costs (discount of up to 60% vs. a greenfield project in a new country)

Efficiently Add Capacity in Follow-On Expansions

- Adding capacity to an existing project
- Brownfield development benefits from existing infrastructure
- Examples:
  - Existing facility – Masinloc 1 (660 MW); Development project – Masinloc 2 (600 MW) in the Philippines
  - Existing facility – Angamos (518 MW); Development project – Cochrane (560 MW) in Chile

Focused Growth Strategy – Fewer Markets, Better Results: Chile

4,800 MW Generation in Operation Under AES Gener, Publicly Listed in Chile

Competitive Advantages

- **Generation**
  - Significant market participant
  - Successful in-country development and construction experience



5-Year Growth Focus

- Develop more than 1,000 MW of hydroelectric and coal platform expansion projects
- Maintain existing and develop additional options for gas, hydroelectric and renewable generation projects

Focused Growth Strategy – Fewer Markets, Better Results: Brazil

3,296 MW Generation & 2 Utilities in Operation, Including Eletropaulo and Tiete Publicly Listed in Brazil

Competitive Advantages

- **Utilities**
  - 14 years of experience operating power distribution and generation businesses, partnering with state-owned development bank



5-Year Growth Focus

- Utilize Brasiliana as a growth platform
- Capture platform expansion opportunities to expand generation fleet
- Pursue renewable projects

Focused Growth Strategy – Fewer Markets, Better Results:
United States

16,271 MW Generation & 2 Utilities in Operation

Competitive Advantages

- **Utilities & Generation**
  - IPL among the lowest cost utilities in Midwest
  - Recently acquired DP&L in Ohio
  - Platform expansion in attractive markets
  - Existing fleet has limited merchant generation exposure



5-Year Growth Focus

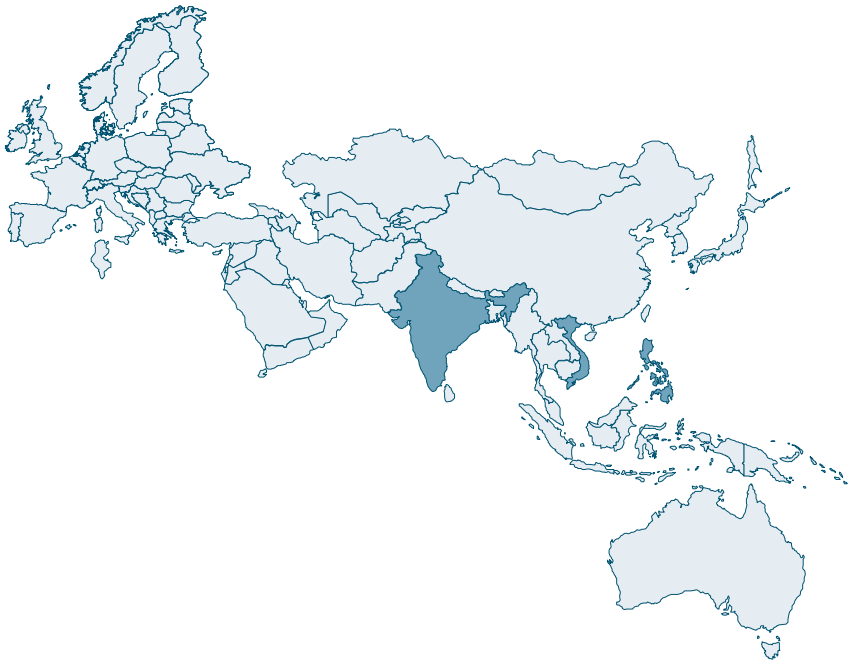
- Integrate acquisition and demonstrate performance of DP&L
- Investment in rate-based environmental capex
- Capitalize on 3,500 MW Southland (US-CA) re-powering option
- Achieve COD of 300-500 MW wind and solar

Focused Growth Strategy – Fewer Markets, Better Results: Southeast Asia & India

1,080 MW Generation in Operation & 1,200 MW Generation Under Construction

Competitive Advantages

- **Generation**
  - Existing platform expansion sites provide cost and "speed to market" advantage
  - Proven local asset turnaround experience



5-Year Growth Focus

- Complete construction of 1,200 MW Mong Duong II (Vietnam) project
- Capitalize on portfolio expansion projects: 600 MW (Masinloc 2) in the Philippines and 1,200 MW (OPGC II) in India

Focused Growth Strategy – Fewer Markets, Better Results: Turkey

404 MW Generation in Operation; Joint Venture with Koc Established in 2010

Competitive Advantages

- **Generation**
  - Turnaround experience with old and inefficient plants
  - Experienced team progressing 1,000 MW of greenfield development and analyzing privatization and M&A opportunities
  - Partnered with largest domestic industrial firm



5-Year Growth Focus

- Capitalize on potential new business opportunities:
  - 16 GW of privatization
  - 15 GW of M&A
  - 7 GW of greenfield
- JV target is 3,500 MW of operating assets

Focused Growth Strategy – Fewer Markets, Better Results:
European Renewables

275 MW of Renewable Generation in Operation; 143 MW Solar and 132 MW Wind

Competitive Advantages

- **Generation**
  - Up to 1 GW of existing development pipeline in the UK & Poland
  - Wind and solar development, financing, construction and operations expertise



5-Year Growth Focus

- Executing on existing development pipelines in the UK & Poland
- Poland: Projected 9 GW of demand for new wind generation
- UK: Projected 18 GW of demand for new wind generation with switch to feed-in tariff structure expected

Focused Growth Strategy: 2011 Major Construction Projects[1] & Acquisition of DP&L Drive Significant Earnings Growth in 2012

Angamos, Chile
518 MW, Coal



Changuinola, Panama
223 MW, Hydroelectric



Maritza, Bulgaria
670 MW, Coal



DPL

3,818 MW

515,000 Customers

Together these projects are expected to contribute $0.23-$0.25 incremental adjusted earnings per share[2] in 2012

1. 2011 construction projects include: 670 MW Maritza coal-fired plant in Bulgaria, 518 MW Angamos coal-fired plant in Chile and 223 MW Changuinola hydroelectric facility in Panama.
2. A non-GAAP financial measure. See Appendix for definition and reconciliation.

Selling Non-Core Assets/Exiting Non-Strategic Markets: Taking Advantage of Attractive Market Opportunities

Delivering Results: $873 million in Asset Sales Signed or Closed in Last 90 Days

Business	Net Proceeds	Status	Rationale
Brazil Telecom	$618[1]	Closed in October 2011	▪ Non-core asset at peak valuation ▪ 10.7x EBITDA multiple ▪ Proceeds to be used to pay down expensive non-recourse debt
Cartagena (Spain)	$234[2]	Expected to close by the end of 2011/Q1 2012	▪ Once closed, net gain of more than $100 million ▪ No expansion potential
Bohemia (Czech Republic)	$12	Closed in September 2011	▪ Completed exit from non-core market
Argentina Distribution (Edelap and EDES)	$9	Closed November 2011	▪ Under-performing business

Together, these asset sales are expected to be earnings-neutral in 2012; in addition, AES will have $300 million of cash to re-deploy

1. Sold by Brasiliana. AES owns 46% of Brasiliana.
2. Once closed, sold 80% of AES' ownership interest to GDF Suez. GDF Suez has an option to buy the remaining 20% interest for an additional $38 million.

A More Efficient AES: Optimizing Profitability

- While we are focused on driving growth and value across key markets, we are also looking inward to enhance savings, profitability and efficiencies
- More efficient company focused on achieving enhanced business-level results and meeting commitments
  - Reducing support costs at corporate, region and business levels
    - New organizational structure
    - Focused development efforts
  - Improving profitability of operating businesses: leveraging synergies of business lines
    - Revenue enhancement initiatives
    - Cost reduction initiatives

Reducing Support Costs: Delivering Results Through New Structure + Acceleration of Cost Cutting Programs

- New structure enables a more agile, nimble, efficient company and eliminates internal hurdles to growth
- Established two business lines: Generation & Utilities
  - Previously organized in 4 regions
- 2012 savings increased to $40-$50 million from $10-$20 million
  - Eliminating business development efforts in non-strategic markets
  - Lower corporate overhead, eliminating layers
- Targeting $100 million cost savings annually by end of 2013, one year earlier than previous target

Example: Improving Utilities Profitability: Non-Technical Loss Reduction at AES Eletropaulo in Brazil

AES Eletropaulo – Energy Recovered (GWh)



AES Eletropaulo – EBITDA Improvement (US$)



Example: Improving Generation Profitability: ESSA Transformed into Reliable Supplier of Power During Tightest Market Conditions

2007 to 2009

- As a result of Argentine gas curtailments, the plant had no access to natural gas, and thus could only operate as a back-up unit using diesel oil



379 MW CCGT in Chile

2010 to 2011

- Transformation achieved by:
  - Obtaining a duel fuel permit which secured capacity payments
  - Negotiating a settlement with gas transport companies and obtaining source of liquefied natural gas to restart natural gas-fired operations

EBITDA improvement of ~$177 million in H1 2011 compared to H1 2010[1]

1. Past performance is not an indicator of future performance.

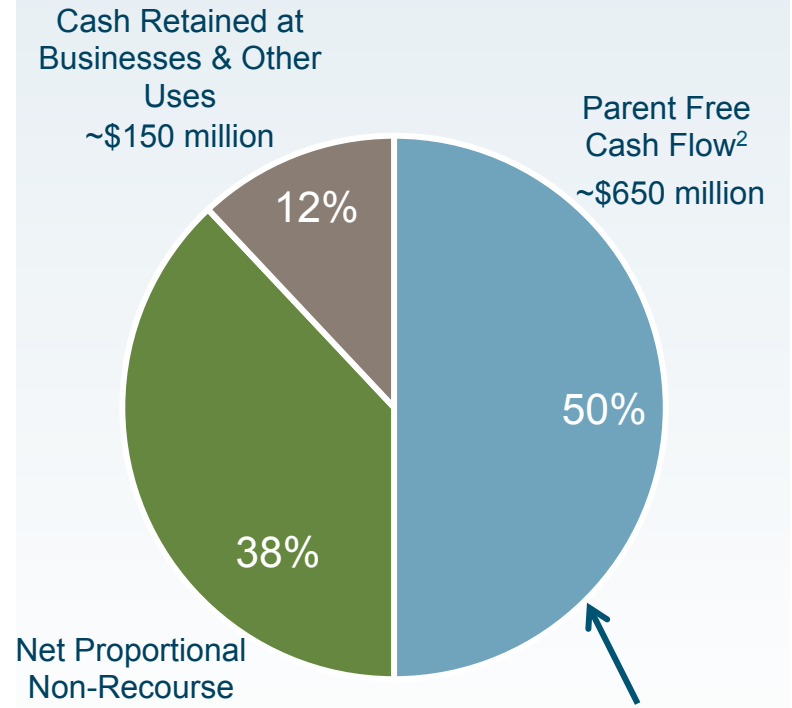
Improving Capital Structure and Returning Cash to Shareholders

- **Improving cash returns to shareholders**
  - Announced intent to initiate a $120 million annual dividend in Q3 2012
- **Repurchasing shares when market conditions dictate**
  - $378 million invested since July 2010
- **Strengthening balance sheet and improving credit profile**
  - Better positions us to capitalize on strategic opportunities
  - Goal is to achieve strong BB metrics over time

Returning Cash to Shareholders: Announced Intent to Initiate a $120 Million Annual Dividend

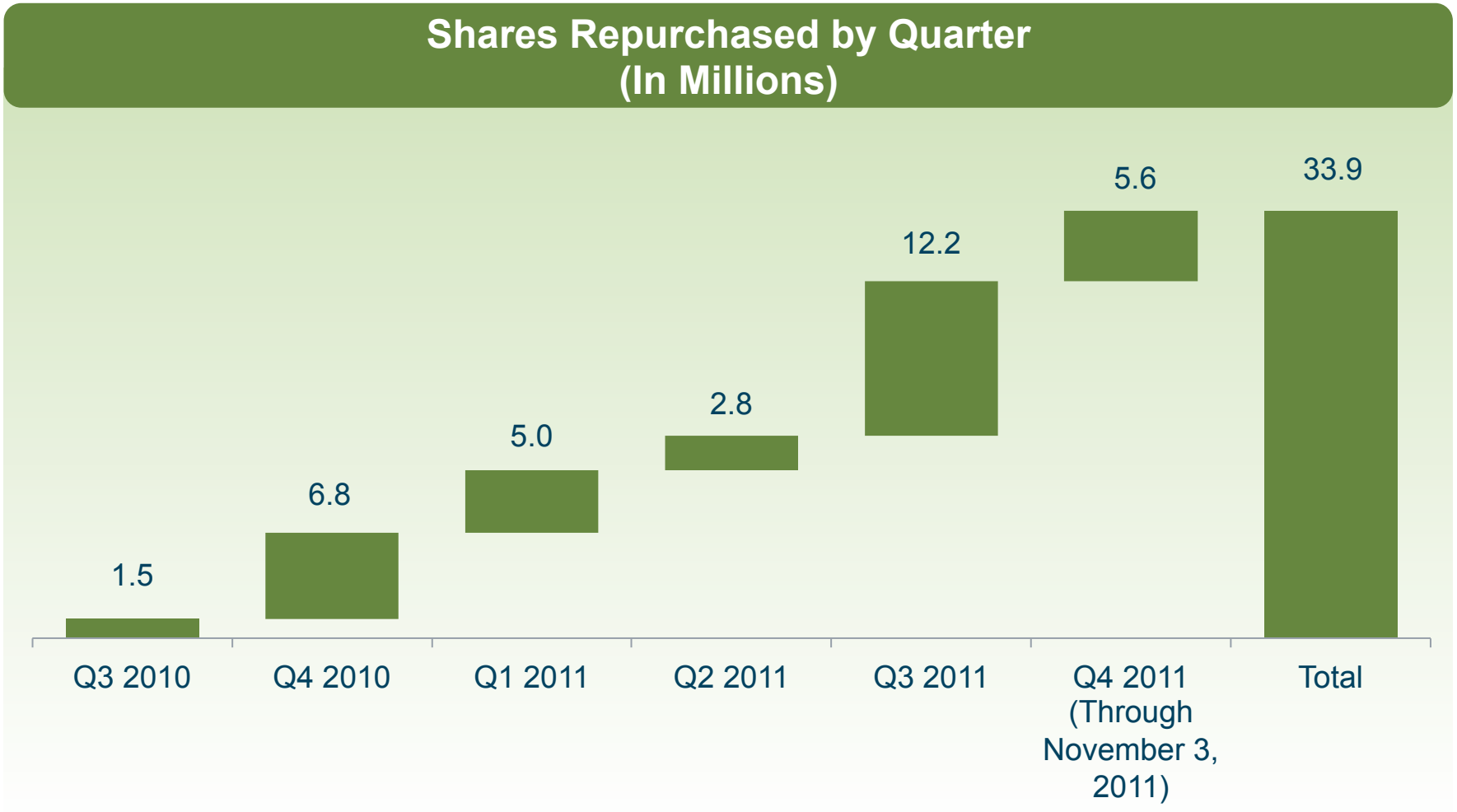
- Proportional free cash flow[2] is utilized for:
  - Non-recourse debt repayment
  - Platform expansion and other purposes
  - Parent free cash flow (discretionary use by the parent)
- Parent free cash flow[2] is discretionary cash at the parent after parent-funded interest and G&A that is available for:
  - Dividends and share repurchases
  - Growth investments
  - Recourse debt repayments
- Annual dividend of $120 million represents payout of 15% to 20% of 2012 parent free cash flow
  - First $30 million quarterly payment expected to be made in Q4 2012

Uses of $1.3 Billion of Proportional Free Cash Flow[1,2] in 2012



1. Mid-point of 2012 proportional free cash flow guidance range.
2. A non-GAAP financial measure. See Appendix for definition and reconciliation.

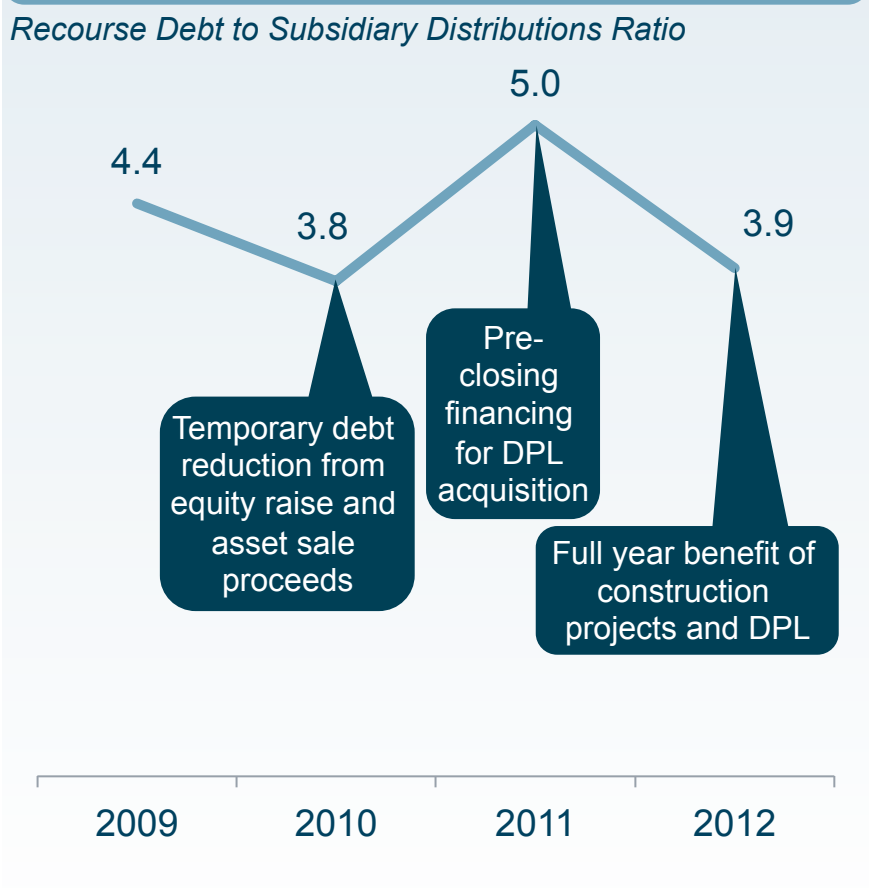
Returning Cash to Shareholders: Since July 2010, Repurchased 4% of Outstanding Shares at an Average Price of $11.16 – Invested $378 Million[1]



1. Out of the current Board authorization of $500 million.

Improving Capital Structure: Strengthening Balance Sheet and Improving Credit Profile

Credit Metrics Improve in 2012 Due to Full Year of DP&L Cash Flows[1]



- Goal is to achieve strong BB metrics
  - Implying at least one notch upgrade
- In 2012 and beyond, balance sheet benefits from:
  - Cash flows from construction projects coming on-line
  - Acquisition and integration of DPL
  - Organic growth and EBITDA improvement within existing businesses
- Opportunities may exist for accelerated debt pay down depending on which assets are sold, price and other uses of capital
- Only minimal ($22 million) recourse debt maturities in 2012 and 2013

1. 2011-2012 ratios are based on current estimates. Actual ratios may be different than those presented here.

Building on Recent Momentum, AES is Shifting into Higher Gear, Preparing to Generate Greater Total Shareholder Returns

Key Near-Term Priorities

1. Growing through platform expansion and focused development in core markets
2. Narrowing our geographic focus
3. Optimizing profitability
4. Improving capital structure and returning cash to shareholders

Compelling Valuation

At a price of $11.50[1], AES stock:

- Trades at ~9x P/E multiple
  - Based on mid-point of 2012 Adjusted EPS[1] guidance of $1.32
- Offers ~14% free cash yield
  - Based on mid-point of 2012 proportional free cash flow[2] guidance of $1.3 billion and market capitalization of approximately $9 billion

Delivering on our commitments through focus on accountability and execution

1. Closing price as of December 16, 2011.
2. A non-GAAP financial measure. See Appendix for definition and reconciliation.

Appendix

- Construction Program — Slide 25
- 2012 Guidance — Slide 26
- Debt Maturity Schedules — Slides 27-28
- Assumptions & Definitions — Slides 29-31

2,143 MW Under Construction as of November 3, 2011

	Generation (Thermal)			Generation (Renewables)					
	Chile	Trinidad	Vietnam	France	India	Various	U.S.-CA	China	UK
Project	Campiche	Trinidad	Mong Duong II	InnoVent[2]	Saurashtra	AES Solar[3]	Mountain View IV	Chen Qi[4]	Drone Hill
% Owned	71%	10%	51%	40%	100%	50%	100%	49%	100%
Type	Coal	Gas	Coal	Wind	Wind	Solar	Wind	Wind	Wind
Gross MW	270 MW	394 MW[1]	1,200 MW	27.3 MW	39 MW	75.4 MW	49 MW	49.5 MW	28.6 MW
Expected Commercial Operations Date	1H 2013	1H 2012	2H 2015	2H 2011	2H 2011	2011-2012	2H 2011	2H 2011	2H 2012

1. Unit 1 came on-line during Q3 2011.
2. InnoVent plants: Allery, Lamballe, Lefaux and Vron.
3. AES Solar projects: various locations.
4. Joint Venture with Guohua Energy Investment Co. Ltd.

Note: These are some of our construction projects. Other projects not currently on this Slide, whether developed through acquisitions or otherwise, may be brought on-line before these projects. In addition, some of these examples may not close or be completed as anticipated, or they may be delayed, due to uncertainty inherent in the development process.

Reconciliation of 2012 Guidance, Including Proportional Metrics

$ in Millions, Except Earnings Per Share	2012 Guidance (Given 11/4/11)[1]		
	Consolidated	Adjustment Factors[2]	Proportional[2,3]
Income Statement Elements			
Diluted Earnings Per Share from Continuing Operations	$1.15-$1.25		
Adjusted Earnings Per Share Factors[3]	$0.12[4]		
Adjusted Earnings Per Share[3]	$1.27-$1.37[4]		
Cash Flow Elements			
Net Cash from Operating Activities	$3,300-$3,500	$1,275	$2,025-$2,225
Operational Capital Expenditures (a)	$925-$1,025	$250	$675-$775
Environmental Capital Expenditures (b)	$100-$150	$25	$75-$125
Maintenance Capital Expenditures (a + b)	$1,025-$1,175	$275	$750-$900
Free Cash Flow[3]	$2,200-$2,400	$1,000	$1,200-$1,400
Subsidiary Distributions[5]	$1,400-$1,600		
Reconciliation of Parent Free Cash Flow			
Subsidiary Distributions[5] (c)	$1,400-$1,600		
Cash Interest (d)	$450-$500		
Cash for Development, General & Administrative and Tax (e)	$350-$400		
Parent Free Cash Flow (c – d – e)	$600-$700		
Reconciliation of Free Cash Flow[3]			
Net Cash from Operating Activities	$3,300-$3,500	$1,275	$2,025-$2,225
Less: Maintenance Capital Expenditures	$1,025-$1,175	$275	$750-$900
Free Cash Flow[3]	$2,200-$2,400	$1,000	$1,200-$1,400

1. 2012 guidance is based on expectations for future foreign exchange rates and commodity prices as of October 31, 2011.
2. The AES Corporation (the "Company") is a holding company that derives its income and cash flows from the activities of its subsidiaries, some of which are not wholly-owned by the Company. Accordingly, the Company has presented certain financial metrics which are defined as Proportional (a non-GAAP financial measure) to account for the Company's ownership interest. In many cases, the Company has no legal claim on these cash flows. See "definitions."
3. A non-GAAP financial measure as reconciled above. See "definitions."
4. Reconciliation of Adjusted EPS includes unrealized foreign currency losses of $0.03, derivative losses of $0.01 and debt retirement losses of $0.08.
5. See "definitions."

Recourse Debt & Trust Preferred Scheduled Maturities Summary[1]

$ in Millions, as of September 30, 2011	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2029	Total
Senior Secured Term Loan Facility due 2018	$3	$11	$11	$11	$11	$11	$11	$979	-	-	-	-	**$1,045**
Senior Secured Credit Facility due 2015[2]	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Senior Secured Credit Facilities[2]	**$3**	**$11**	**$11**	**$11**	**$11**	**$11**	**$11**	**$979**	**-**	**-**	**-**	**-**	**$1.045**
7.75% Senior Unsecured Notes due March 2014	-	-	-	$500	-	-	-	-	-	-	-	-	**$500**
7.75% Senior Unsecured Notes due October 2015	-	-	-	-	$500	-	-	-	-	-	-	-	**$500**
9.75% Senior Unsecured Notes due April 2016	-	-	-	-	-	$535	-	-	-	-	-	-	**$535**
8.00% Senior Unsecured Notes due October 2017	-	-	-	-	-	-	$1,500	-	-	-	-	-	**$1,500**
8.00% Senior Unsecured Notes due June 2020	-	-	-	-	-	-	-	-	-	$625	-	-	**$625**
7.375% Senior Unsecured Notes due 2021	-	-	-	-	-	-	-	-	-	-	$1,000	-	**$1,000**
Senior Unsecured Notes	**-**	**-**	**-**	**$500**	**$500**	**$535**	**$1,500**	**-**	**-**	**$625**	**$1,000**	**-**	**$4,660**
6.75% Trust Preferred III due October 2029	-	-	-	-	-	-	-	-	-	-	-	$517	**$517**
Trust Preferreds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**$517**	**$517**
Total Recourse Debt Including Trust Preferreds[3]	**$3**	**$11**	**$11**	**$511**	**$511**	**$546**	**$1,511**	**$979**	**-**	**$625**	**$1,000**	**$517**	**$6,222**

1. The table above sets forth the projected scheduled debt maturities with respect to AES' outstanding recourse indebtedness and trust preferred securities as of each date presented. The table assumes that: (i) AES incurs no other indebtedness, and (ii) that only scheduled repayments are made. While AES may incur other indebtedness and may make additional unscheduled repayments, it is not practicable to project the amount or timing of any such incurrence or repayments and accordingly no reconciliation is provided. Please see AES' SEC filings for further information.
2. Amount drawn as of September 30, 2011. Excludes letters of credit issued under the facilities. Amounts drawn may be repaid at any time.
3. These balances do not reflect unamortized discounts totaling approximately $30 million that are used to calculate the book value of the debt. Total excludes letters of credit and other debt guarantees. Certain amounts may vary slightly from other presentations due to rounding.

Non-Recourse Debt Maturities Summary by Line of Business

$ in Millions, as of September 30, 2011	Current Maturities (October 1, 2011 to September 30, 2012)	Q4 2011	2012	2013	2014	2015	Thereafter	Total
Total Utilities	$580	$368	$231	$296	$536	$408	$2,850	$4,689
Total Generation	$1,583	$1,264	$467	$630	$981	$677	$5,978	$9,997
Total Non-Recourse Debt	**$2,163**	**$1,632**	**$698**	**$926**	**$1,517**	**$1,085**	**$8,828**	**$14,686**

Note: The above table is unaudited and is for reference purposes only. The table provides debt amortization of the business unit and subsidiary holding company. Any of these amortization schedules could be revised or accelerated for a number of reasons, including events of default, if any. The maturities shown include unamortized discounts used to calculate the book value of debt and may deviate from local GAAP business unit financials for a number of reasons, including capital lease accounting. Certain amounts have been rounded for presentation purposes. For further details on non-recourse debt, please refer to AES Corporation's SEC filings and press releases made from time to time.

Assumptions

Forecasted financial information is based on certain material assumptions. Such assumptions include, but are not limited to: (a) no unforeseen external events such as wars, depressions, or economic or political disruptions occur; (b) businesses continue to operate in a manner consistent with or better than prior operating performance, including achievement of planned productivity improvements including benefits of global sourcing, and in accordance with the provisions of their relevant contracts or concessions; (c) new business opportunities are available to AES in sufficient quantity to achieve its growth objectives; (d) no material disruptions or discontinuities occur in the Gross Domestic Product (GDP), foreign exchange rates, inflation or interest rates during the forecast period; and (e) material business-specific risks as described in the Company's SEC filings do not occur individually or cumulatively. In addition, benefits from global sourcing include avoided costs, reduction in capital project costs versus budgetary estimates, and projected savings based on assumed spend volume which may or may not actually be achieved. Also, improvement in certain KPIs such as equivalent forced outage rate and commercial availability may not improve financial performance at all facilities based on commercial terms and conditions. These benefits will not be fully reflected in the Company's consolidated financial results.

The cash held at qualified holding companies ("QHCs") represents cash sent to subsidiaries of the Company domiciled outside of the U.S. Such subsidiaries had no contractual restrictions on their ability to send cash to AES, the Parent Company, however, cash held at qualified holding companies does not reflect the impact of any tax liabilities that may result from any such cash being repatriated to the Parent Company in the U.S. Cash at those subsidiaries was used for investment and related activities outside of the U.S. These investments included equity investments and loans to other foreign subsidiaries as well as development and general costs and expenses incurred outside the U.S. Since the cash held by these QHCs is available to the Parent, AES uses the combined measure of subsidiary distributions to Parent and QHCs as a useful measure of cash available to the Parent to meet its international liquidity needs. AES believes that unconsolidated parent company liquidity is important to the liquidity position of AES as a parent company because of the non-recourse nature of most of AES' indebtedness.

Definitions

Non-GAAP Financial Measures

- Adjusted earnings per share (a non-GAAP financial measure) is defined as diluted earnings per share from continuing operations excluding gains or losses of the consolidated entity due to (a) mark-to-market amounts related to derivative transactions, (b) unrealized foreign currency gains or losses, (c) significant gains or losses due to dispositions and acquisitions of business interests, (d) significant losses due to impairments, and (e) costs due to the early retirement of debt. The GAAP measure most comparable to Adjusted EPS is diluted earnings per share from continuing operations. AES believes that adjusted earnings per share better reflects the underlying business performance of the Company, and is considered in the Company's internal evaluation of financial performance. Factors in this determination include the variability due to mark-to-market gains or losses related to derivative transactions, currency gains or losses, losses due to impairments and strategic decisions to dispose or acquire business interests or retire debt which affect results in a given period or periods. Adjusted earnings per share should not be construed as an alternative to earnings per share, which is determined in accordance with GAAP.
- Adjusted Gross Margin (a non-GAAP financial measure) is defined as gross margin plus depreciation and amortization less general and administrative expenses. AES believes adjusted gross margin is a useful measure for evaluating and comparing the operating performance of its businesses because it includes the direct operating costs of its business including overhead related expenses and excludes potential differences caused by variations in capital structures affecting interest income and expense, tax positions, such as the impact of changes in effective tax rates and the impact of depreciation and amortization expense.
- Free cash flow (a non-GAAP financial measure) is defined as net cash from operating activities less maintenance capital expenditures (including environmental capital expenditures), net of reinsurance proceeds from third parties. AES believes that free cash flow is a useful measure for evaluating our financial condition because it represents the amount of cash provided by operations less maintenance capital expenditures as defined by our businesses, that may be available for investing or for repaying debt. Free cash flow should not be construed as an alternative to net cash from operating activities, which is determined in accordance with GAAP.
- Parent Company Liquidity (a non-GAAP financial measure) is defined as cash at the Parent Company plus availability under corporate credit facilities plus cash at qualified holding companies ("QHCs"). AES believes that unconsolidated Parent Company liquidity is important to the liquidity position of AES as a Parent Company because of the non-recourse nature of most of AES' indebtedness.
- Subsidiary Liquidity (a non-GAAP financial measure) is defined as cash and cash equivalents and bank lines of credit at various subsidiaries.
- The AES Corporation (the "Company") is a holding company that derives its income and cash flows from the activities of its subsidiaries, some of which are not wholly-owned by the Company. Accordingly, the Company has presented certain financial metrics which are defined as Proportional (a non-GAAP financial measure) to account for the Company's ownership interest.

  Proportional metrics present the Company's estimate of its share in the economics of the underlying metric. The Company believes that the Proportional metrics are useful to investors because they exclude the economic share in the metric presented that is held by non-AES shareholders. For example, Operating Cash Flow is a GAAP metric which presents the Company's cash flow from operations on a consolidated basis, including operating cash flow allocable to noncontrolling interests. Proportional Operating Cash Flow removes the share of operating cash flow allocable to noncontrolling interests and therefore may act as an aid in the valuation the Company.

  Proportional metrics are reconciled to the nearest GAAP measure. Certain assumptions have been made to estimate our proportional financial measures. These assumptions include: (i) the Company's economic interest has been calculated based on a blended rate for each consolidated business when such business represents multiple legal entities; (ii) the Company's economic interest may differ from the percentage implied by the recorded net income or loss attributable to noncontrolling interests or dividends paid during a given period; (iii) the Company's economic interest for entities accounted for using the hypothetical liquidation at book value method is 100%; (iv) individual operating performance of the Company's equity method investments is not reflected and (v) inter-segment transactions are included as applicable for the metric presented.

Definitions, Cont'd.

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