The AES Corporation

May 2012



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 34 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 AES' 2011 Annual Report on Form 10-K, 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.

Agenda

- Investment Thesis: Plan to Unlock Shareholder Value
  - Optimize Capital Allocation
  - Narrow Geographic Focus
  - Grow Profitability
  - Delivering Results & Valuation
- Future Growth

Key Highlights

68% of 2012 Discretionary Cash Targeted for Debt Paydown & Share Buybacks

$890 Million in Proceeds from Closed/ Announced Asset Sales

Attractive Development Pipeline in Core Markets

Investment Thesis: Plan to Unlock Shareholder Value

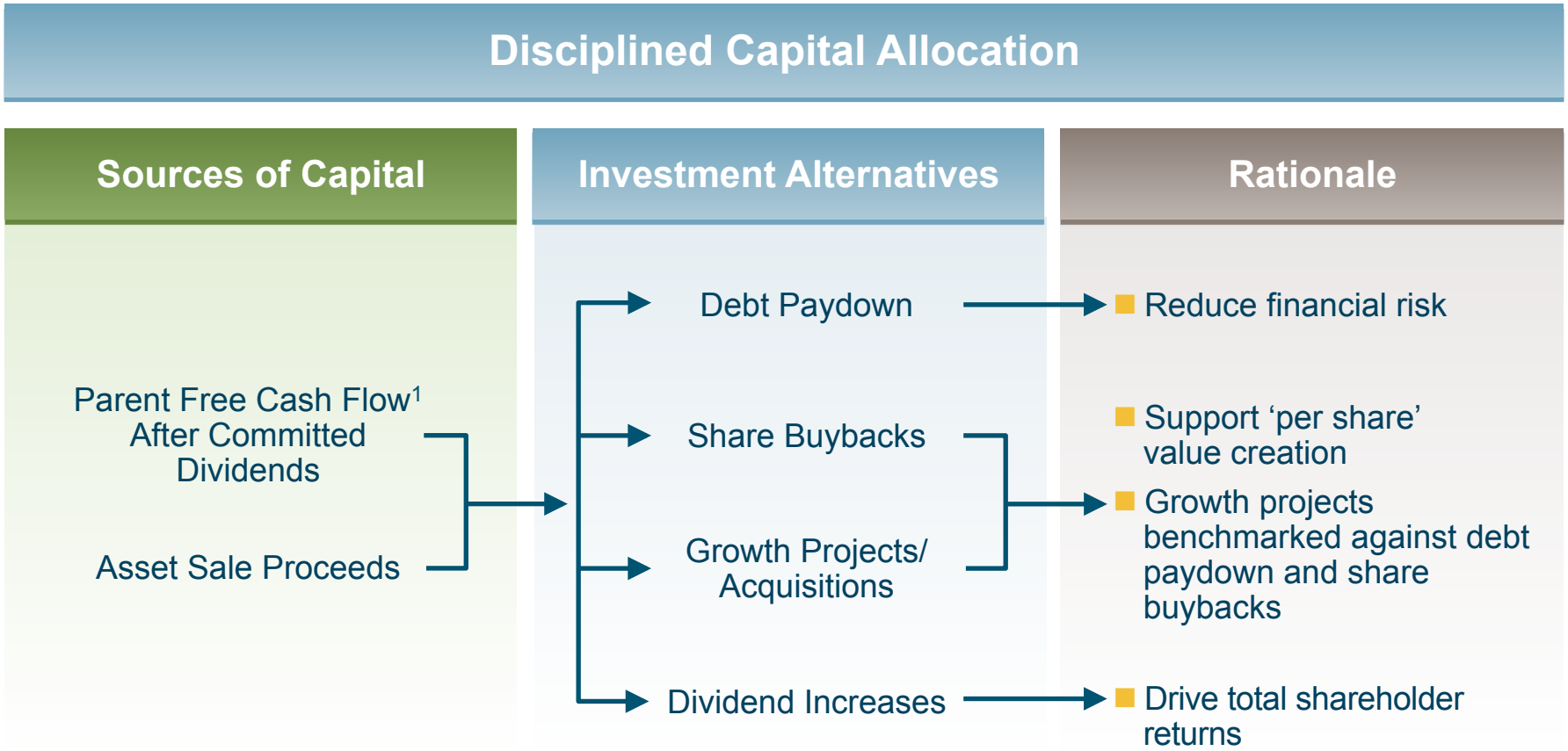
Investment Thesis: Plan to Unlock Shareholder Value

Management Focus	Progress/Outlook
1. Optimize capital allocation	■ Invest cash to maximize total returns
2. Narrow our geographic focus	■ Sold 40% of potential $2 billion universe of non-strategic assets (closed/announced) ■ Grow in markets of choice where we have a competitive advantage
3. Improve profitability	■ Cut costs and leverage footprint

Focus on Delivering Attractive Risk-Adjusted Total Shareholder Return

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

Optimize Capital Allocation: Framework



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

Optimize Capital Allocation: Average 3-Year Total Return Target of 8% to 10% (CAGR for 2013 Through 2015)

Based on 2012 Adjusted EPS[1] of $1.26

3-Year CAGR Consists of:	
7% to 9% Adjusted EPS[1] Growth	■ Organic growth at existing businesses ■ Completion of construction pipeline through 2015 ■ Planned cost reductions ■ Discretionary cash invested in debt paydown and share repurchases ◆ Growth investments and acquisitions would need to be accretive to the base case
1% Dividend Yield	■ $120 million annual dividend expected to be initiated in Q3 2012

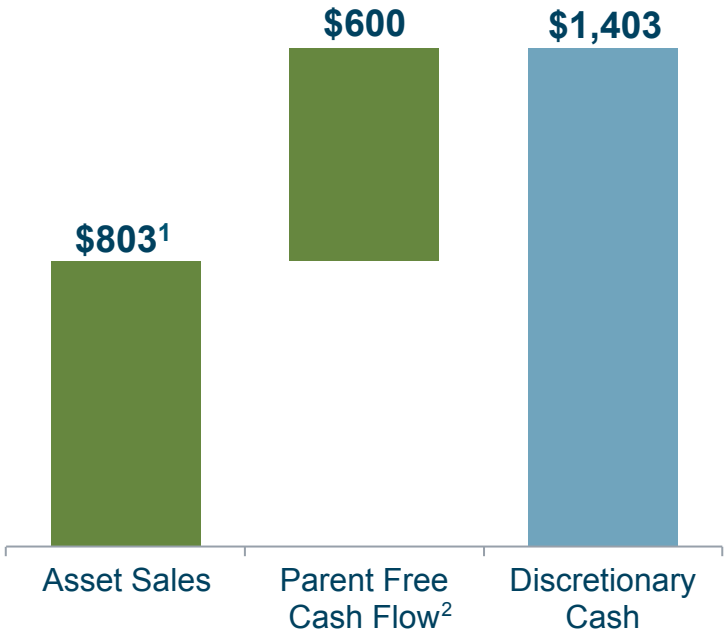
Target Total Return Does Not Assume Any Expansion of Our P/E Multiple

1. A non-GAAP financial measure. Guidance given May 4, 2012. See Appendix for definition and reconciliation.

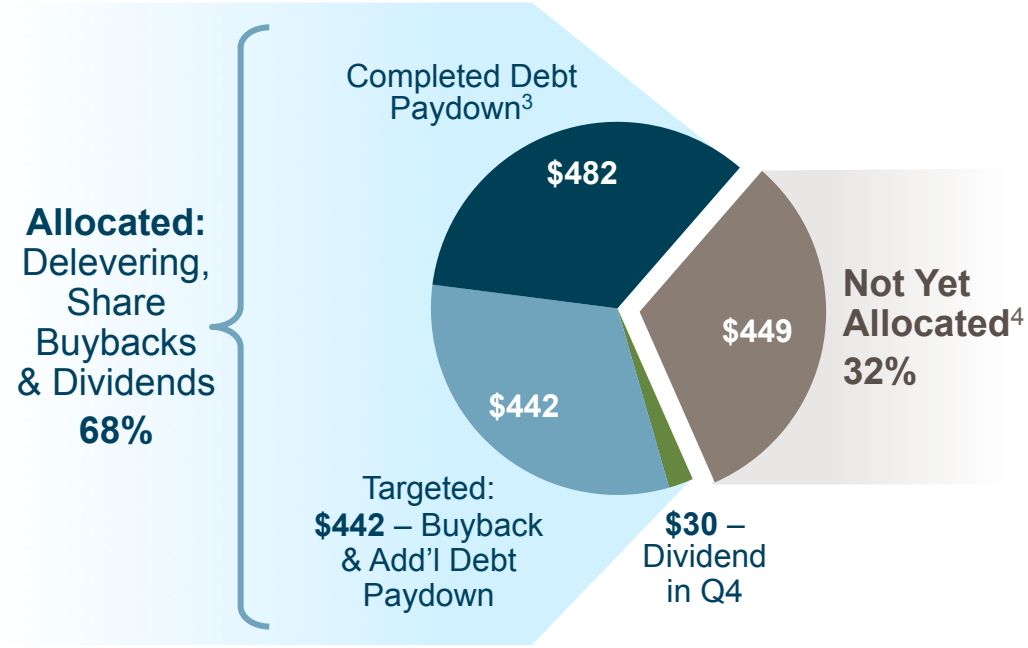
Optimize Capital Allocation: A Balanced Approach in 2012

$ in Millions

Discretionary Cash – Sources ($1,403)



Discretionary Cash – Uses ($1,403)



Unallocated Cash to Be Invested According to Capital Allocation Framework to Achieve Total Return Targets

1. Excludes ($87 million) dividend related to Atimus (Brazil Telecom), which is included in Parent Free Cash Flow.
2. Mid-point of 2012 parent free cash flow guidance range given on May 4, 2012. A non-GAAP financial measure. See Appendix for definition and reconciliation.
3. Completed $482 million debt paydown: $285 million corporate revolver and $197 million non-recourse debt.
4. Not yet allocated $449 million will be used for investment in growth, stock buyback and/or debt repayment.

Narrow Geographic Focus

	Today	Medium-Term Goals
Countries	■ 27	■ Fewer than 20
Core Markets: Operating Assets	■ U.S., Brazil & Chile ■ Select other markets/ businesses	■ U.S., Brazil & Chile ■ Select other markets/businesses
% of Proportional Adjusted Gross Margin[1] from Core Markets	■ 65%-75%	■ Targeting ~80%-90%

Focusing Growth in Countries Where We Have a Competitive Advantage; Opportunistically Exiting Certain Non-Core Markets

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

Narrow Geographic Focus: Eight Asset Sales to Raise $890 Million in Equity Proceeds

Business	AES Share of Proceeds ($ Millions)		Remarks
Atimus (Brazil Telecom)	$284[2]	$756 closed	Non-core asset; Paid down $197[2] million in debt at Brasiliana subsidiary
Bohemia (Czech Republic)	$12		Completed exit from non-core Market
Edes and Edelap (Argentina)	$4		Underperforming business
Cartagena[1] (Spain)	$229		No expansion potential
Red Oak (U.S.)	$142		No expansion potential
Ironwood (U.S.)	$85		
JHRH (China)	$48	$134 signed	Non-core market; expected to close 2H 2012
Yangcheng & China Wind (China)	$86		Non-core market; expected to close 2H 2012
Total	**$890**		

Businesses Sold at a P/E Multiple of 23x 2011 Adjusted Earnings[3]

1. Sold 80% of our interest to GDF Suez in February 2012. GDF Suez has the option to buy the remaining 20% interest in 2013.
2. AES owns 46% of its Brasiliana subsidiary. Proceeds and debt reflect AES' ownership percentage.
3. Excludes China asset sales, as these businesses reported $9 million in losses in 2011.

Narrow Our Geographic Focus: Platform Expansions

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:
  - Philippines: Existing facility – Masinloc 1 (660 MW); Development project – Masinloc 2 (600 MW)
  - Chile: Existing facility – Angamos (518 MW); Development project – Cochrane (560 MW)

Grow Profitability: Operational Excellence & Sourcing

Category	2012 Estimate	Approach
Revenue	$18-$20 billion	Reduce non-technical losses Working capital management
Fuel Spending	$3.5-$4.0 billion, depending on commodity prices	Coordinated fuel procurement Fuel flexibility (blending)
General & Administrative Costs	$325-$375 million	Reduced business development costs Removal of reporting layers Process optimization
Maintenance (Operating & Capital Expenditures)	$1.1-$1.5 billion	Preferred suppliers Go-to market strategies

Estimated 2012 Savings of $50 Million & Target of $100 Million in Annual Savings by End of 2013

Grow Profitability: Switching to Dual-Fuel Operations at ESSA, Chile

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.

Delivering Results: Completed 2,000 MW Construction Pipeline[1] & Closed DP&L Acquisition in 2011

Angamos, Chile
545 MW, Coal



Changuinola, Panama
223 MW, Hydroelectric



Maritza, Bulgaria
670 MW, Coal



DPL

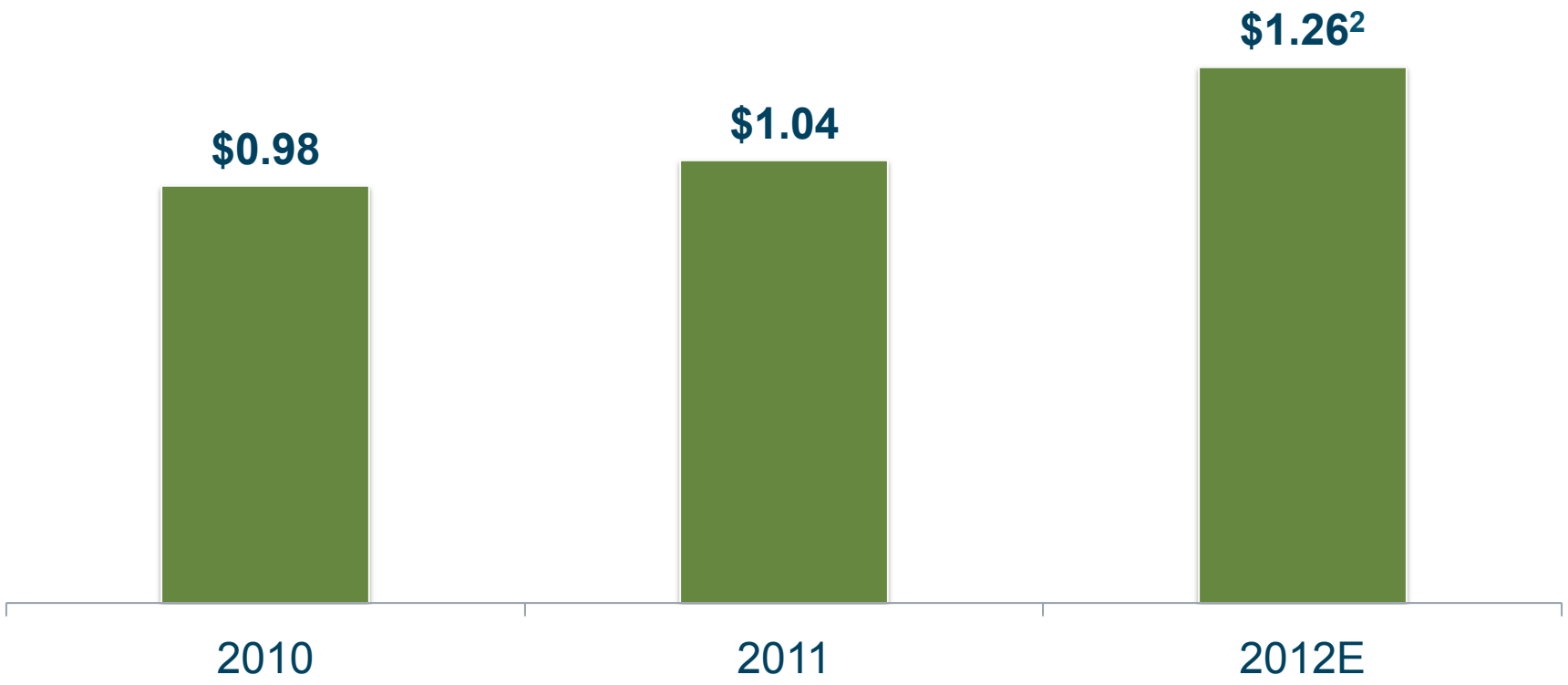
3,818 MW

515,000 Customers

New Capacity Additions Are the Key Driver of Earnings Growth in 2012

1. 2011 construction projects include: 670 MW Maritza coal-fired plant in Bulgaria, 545 MW Angamos coal-fired plant in Chile, 223 MW Changuinola hydroelectric plant in Panama, 181 MW wind and solar projects, as well as 394 MW Trinidad Unit 1 gas-fired plant in Trinidad, of which AES owns 10%.

Delivering Results: Expect to Achieve 21% Adjusted EPS[1] Growth in 2012



2012 Growth Reflects Contribution of $0.17 from New Businesses Added in 2011

1. A non-GAAP financial measure. See Appendix for definition and reconciliation. Diluted earnings per share from continuing operations was $0.63 in 2010 and $0.59 in 2011.

2. Midpoint of 2012 guidance given May 4, 2012. Midpoint of guidance for diluted earnings per share from continuing operations is $1.26.

Valuation at a Discount to U.S. Utilities

Compelling Valuation – At Price of $12.36[1], AES Stock:

- Trades at ~10x P/E multiple vs. diversified utilities' average P/E multiple of 14.3x[2]
  - Based on mid-point of 2012 Adjusted EPS[3] guidance of $1.26
- Offers ~12% free cash yield
  - Based on mid-point of 2012 proportional free cash flow[3] guidance of $1.15 billion and market capitalization of approximately $9.5 billion

Executing on a Comprehensive Plan to Unlock Shareholder Value

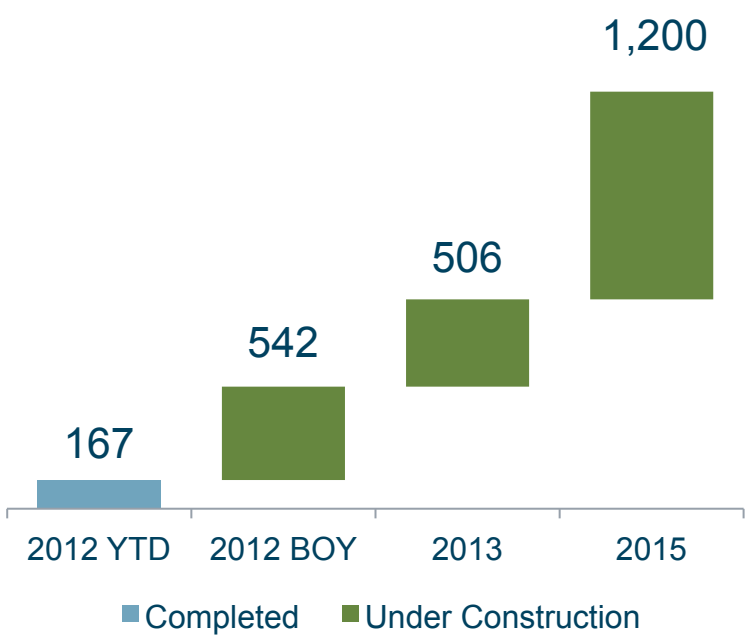
1. Closing price as of May 11, 2012.
2. Source: Bank of America Merrill Lynch research note, May 7, 2012.
3. A non-GAAP financial measure. See Appendix for definition and reconciliation. Guidance given May 4, 2012.

Future Growth

Construction Program Contributes Near-Term Growth

Long-Term Debt is Committed & AES has Funded its Equity Contributions

2,415 Gross MW On-Line by Year[1]



- 2012 additions include:
  - 394 MW Trinidad Unit 2 of which AES owns 10%
  - 315 MW renewable projects
- 2013 additions include:
  - 270 MW Campiche, Chile
  - 216 MW Kribi, Cameroon
  - 20 MW Sixpenny Wood, UK
- 2015 addition represents 1,200 MW Mong Duong II, Vietnam

1. As of May 3, 2012; 1,192 proportional MW.

Note: The totals represent projections and there can be no assurance that we will complete construction of these projects or that completion will occur in the timeframes set forth above. For discussion of risks involved in the development process, see Item 1-A: Risk Factors – Our business is subject to substantial development uncertainties in our 2011 Form 10-K.

Future Growth Examples: Strong Near-Term Growth Pipeline in Chile & Colombia (AES Gener)



Cochrane (532 MW Coal-Fired)

- Adjacent to Angamos facility; plant site owned by Angamos
- Includes 20 MW battery storage facility (BESS)
- Environmental permit and maritime concession granted



Guacolda V (152 MW Coal-Fired)

- Environmental permit for plant granted
- Plant site owned by Guacolda



Alto Maipo (531 MW Run-of-River Hydro)

- 50 km East of Santiago
- Environmental, water and civil works permits obtained



Tunjita (20 MW Hydro)

- Environmental permit obtained
- EPC agreement executed
- Financing closed, but not disbursed
- Working toward commencement of construction





Equity Needs May be Funded Through Local Markets and/or Gener's Cash Flow

Note: For discussion of risks involved in the development process, see Item 1-A: Risk Factors – Our business is subject to substantial development uncertainties in our 2011 Form 10-K.

Future Growth Examples: Platform Expansion – India & the Philippines

India – OPGC 2 (1,320 MW Coal-Fired)

- Adjacent to existing OPGC facility (420 MW)
- Limited Parent equity investment due to project cash reserves
- Permits for power plant already in place
- Coal mine with 530 million tons coal reserves allocated to the project
- Long-term contract for 50% of output already executed
- Currently working on EPC & financing



Philippines – Masinloc 2 (630 MW Coal-Fired)

- Adjacent to existing Masinloc facility (660 MW)
- Benefiting from existing infrastructure, including land, coal handling and ash disposal
- Environmental permit in place
- Currently working on EPC, power offtake contracts and financing



No Equity Contributions Before 2013; Self-Funding 2012 Development

Note: For discussion of risks involved in the development process, see Item 1-A: Risk Factors – Our business is subject to substantial development uncertainties in our 2011 Form 10-K.

Key Takeaways

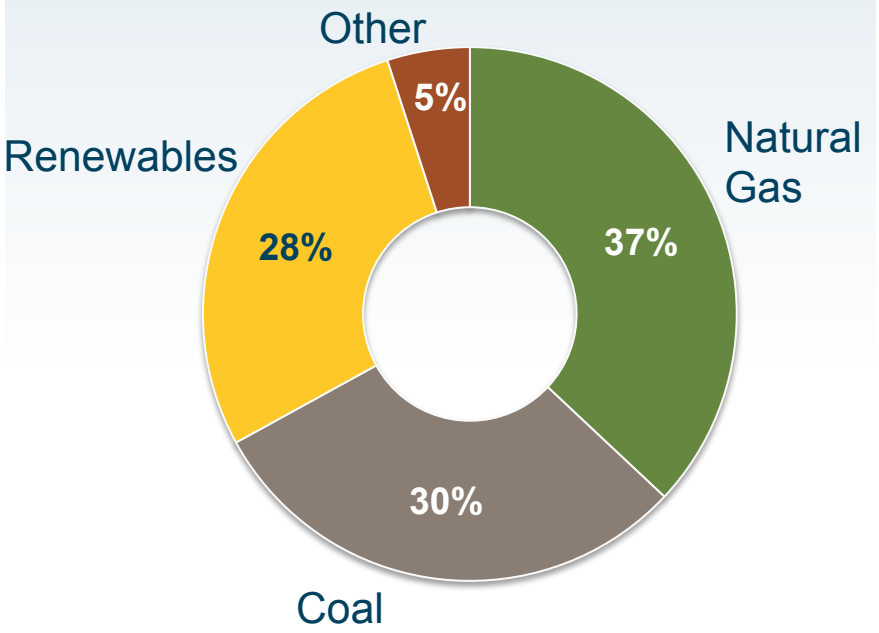
- Unlocking the value by executing on a comprehensive plan to:
  - Optimize capital allocation
  - Narrow geographic focus
  - Grow profitability
- Committed to delivering attractive risk-adjusted returns to shareholders
  - Initiating a dividend in Q3 2012, with first payment in Q4 2012
  - Targeting 8%-10% average 3-year total return target (CAGR for 2013 through 2015)

Appendix

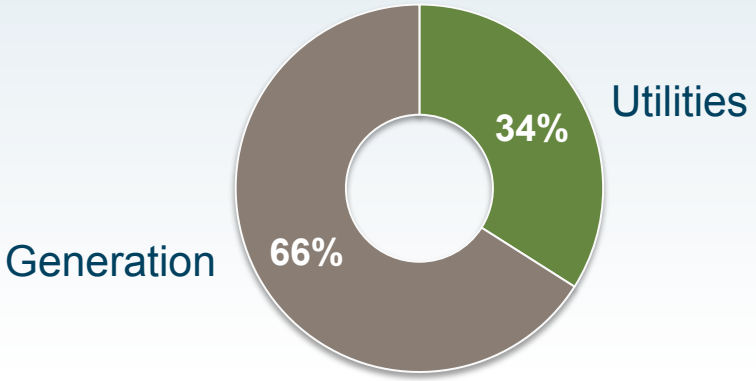
- Who We Are — Slides 23-26
- Corporate Social Responsibility — Slide 27
- Capital Structure — Slide 28
- DP&L Market Rate Option (MRO) — Slides 29-30
- Key Assumptions for 2012 Guidance — Slide 31
- 2012 Guidance Estimated Sensitivities — Slide 32
- Reconciliation of 2012 Guidance — Slide 33
- Assumptions & Definitions — Slides 34-36

Who We Are: A Diversified Power Generation & Distribution Company

Generation Portfolio by Fuel Type



2012 Proportional Adjusted Gross Margin[1]: $3.6 Billion



Generation

- 37 Generation businesses
- 34 GW of generating capacity

Utilities

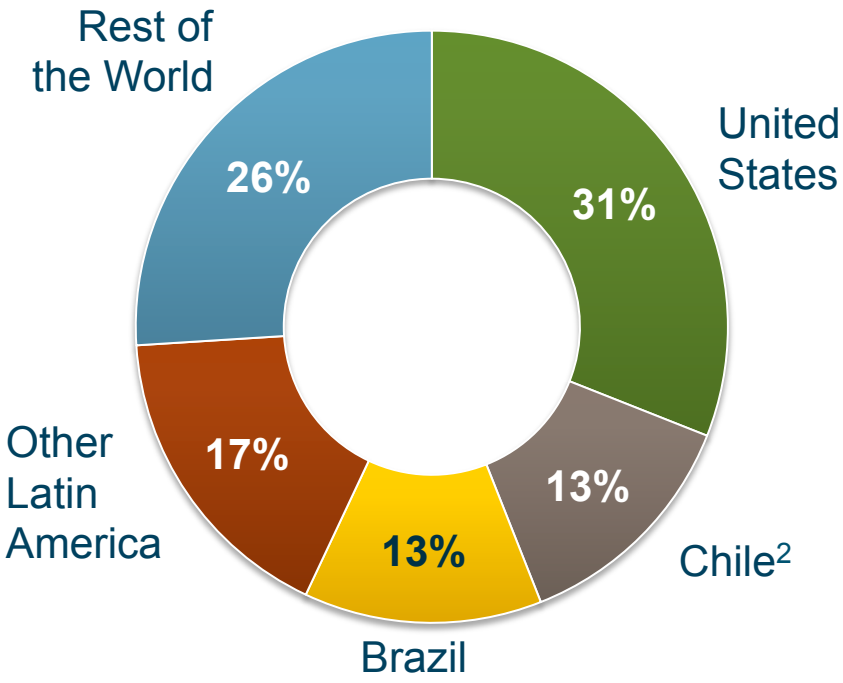
- 13 Utilities companies serving 12 million customers
- Operate 8 GW of generating capacity

Commodity and Currency Risks Limited by Contracts & Regulatory Structures, as well as Diversification Across Geographies, Asset & Fuel Types

1. A non-GAAP financial measure as reconciled above. Midpoint of 2012 guidance given May 4, 2012. See "definitions" and 2012 Reconciliation on slide 33.

Who We Are: Concentrated in Both Stable & High Growth Markets

2012 Proportional Adjusted Gross Margin[1]: $3.6 Billion



Key Businesses = 58% of 2012 Proportional Adjusted Gross Margin[1]



Faster Demand Growth in Emerging Markets Combined with Cash Flow Stability of Developed Markets

1. A non-GAAP financial measure as reconciled above. Midpoint of 2012 guidance given May 4, 2012. See "definitions" and 2012 Reconciliation on slide 33.
2. AES' operations in Chile refers to AES Gener, which is publicly listed in Chile, with businesses in Chile, Colombia and Argentina.

Who We Are: Competitive Advantages

Operational Approach

- Performance excellence
  - Safety first
  - AES Performance Excellence (APEX) – systematic approach to problem solving
  - Local decision-making
- Unique footprint
  - Global purchasing power
  - Best practices shared across portfolio

apex

Industry Recognition

- 2007 Edison International Award – AES Latin America
- 2011 Edison International Award – AES Masinloc, Philippines
- 2011 Edison Institute Emergency Response Award – Indianapolis Power & Light Company



The Edison Award

Who We Are: Business Model Balances Risk Management & Growth

Commercial Strategy

- Primarily regulated or contracted
- Commodity risk generally mitigated with fuel pass-throughs
  - Merchant exposure limited primarily to DP&L (U.S.) and Argentina
- Currency risk limited by local debt financing, contract indexation and hedging
- Expand business in core markets
  - Focus on value creation on each dollar to be invested (capital efficiency)

Conservative Financing Strategy

- Up to 80% of a project's capital structure funded with non-recourse debt
  - Mostly fixed rate, long-term, in local currency
  - Recourse only to project assets; no cross-collateralization
  - Key component of AES's capital structure (71% of total debt)
- Equity contribution by AES Parent minimized by local funding sources
  - Debt and equity capacity available at subsidiaries, e.g., in Brazil and Chile
  - Cash retained at subsidiaries, e.g., India
  - Partners who can help mitigate project risks, e.g., CIC and Posco in Vietnam project

Commercial and Financing Strategies Designed to Minimize Risk to, and Equity Contribution Required by, AES Parent

A Sustainable Future

Mission: We are working to improve lives by providing safe, reliable and sustainable energy solutions in every market we serve

Sustainability Focus

- Putting safety first
- Improving energy efficiency and reliability
- Enhancing environmental performance and extending renewable energy
- Developing our people
- Contributing to the communities we operate in
- Conducting business with ethics and integrity, and in compliance with regulations

El Salvador

- Corporate Citizen Award from U.S. Embassy for its corporate social responsibility initiatives ranging from extending electricity to rural communities to educating the public

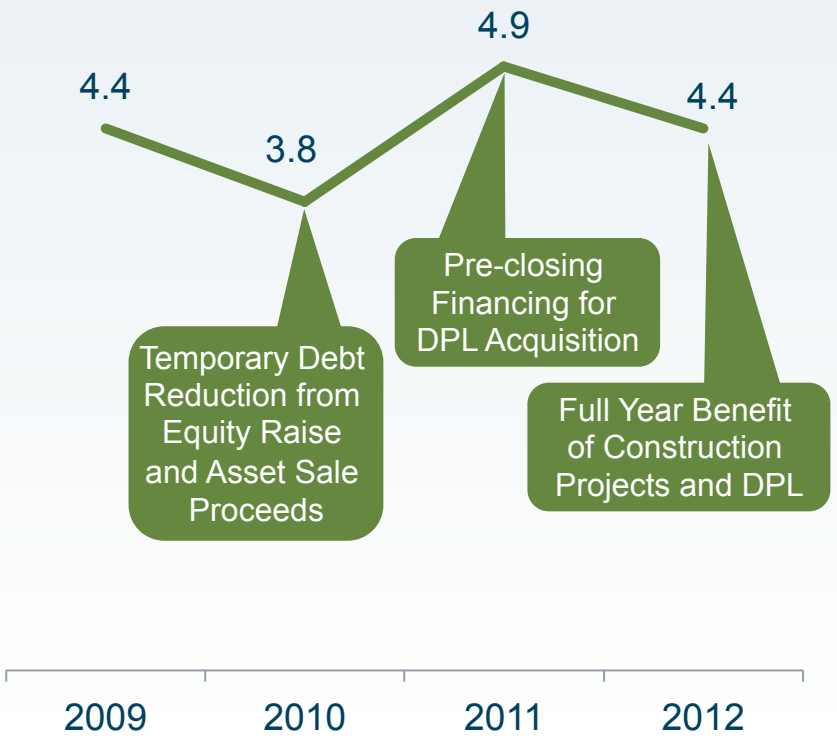
Colombia

- Gold Medal in Environmental Responsibility from the Siembra Colombia Foundation, also sponsored by the British Embassy, the Development Program of the United Nations and the Colombian Environmental Ministry for an environmental education program

Improve Capital Structure: Strengthening Balance Sheet and Improving Credit Profile

Credit Metrics[1] Improve in 2012 Due to Contributions of New Businesses

Recourse Debt to Subsidiary Distributions Ratio



- Goal is to achieve strong BB metrics
  - Implying at least one notch upgrade
  - Targeting at least $500 million recourse debt paydown
- 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 paydown depending on which assets are sold, price and other uses of capital
- Minimal ($21 million) scheduled recourse debt maturities in 2012 and 2013

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

Key Elements of DP&L's Market Rate Option (MRO) Filing

- Proposed plan covers 5 years and 5 month period beginning January 2013 and ending in May 2018
- Blends ESP with competitive market-based auction price to derive blended MRO rate
  - Initial auction of 10% of load to supply SSO, followed by 20% in May 2014, 30%, 40%, 50% and 100% in May of each subsequent year
- All rate components of current ESP to continue through the proposed plan
- Supports Ohio's move to competitive markets over time
- Provides an initial rate decrease for virtually all customers

1. There can be no assurance that the MRO will be accepted or if accepted, that the MRO will be on the terms set forth above. For a discussion of regulatory risks at DP&L, see Item 1 – Regulatory Matters and Item 1A – Risk Factors in AES' Form 10-K.

DP&L Proposed SSO Timeline



Key Assumptions for 2012 Guidance[1]

- Foreign currency and commodity assumptions from the forward curve as of March 30, 2012
- Effective tax rate generally in line with 2011, which includes anticipated extension of TIPRA benefits
- Includes the impacts of closed asset sales as of April 2012, including Argentine utilities, Brazil Telecom, 80% of our interest in the Cartagena plant in Spain, Bohemia plant in Czech Republic and Red Oak and Ironwood in the United States
- Does not include the impact of recently announced (but not yet closed) asset sales in China
- Allocation of discretionary cash consistent with Slide 8

1. Guidance updated May 4, 2012.

2012 Guidance Estimated Sensitivities

Interest Rates[1]

- 100 bps move in interest rates over a 12-month period is equal to change in EPS of approximately $0.02

Currencies

- 10% appreciation in USD against the following key currencies is equal to the following negative EPS impacts:

	2012	
	Average Rate	Sensitivity
Brazilian Real (BRL)	1.89	$0.020
Argentine Peso (ARS)	4.70	$0.005
Euro (EUR)	1.34	$0.010
Philippine Peso (PHP)	43.1	$0.005

Commodity Sensitivity

	2012	
	Average Rate	Sensitivity
Newcastle Coal (Sensitivity $10/ton)	$110/ton	$0.010 negative correlation
NYMEX Coal (Sensitivity $10/ton)	$60/ton	
IPE Brent Crude Oil (Sensitivity $10/barrel)	$121/bbl	$0.015 positive correlation
NYMEX WTI Crude Oil (Sensitivity $10/barrel)	$104/bbl	
Henry Hub Natural Gas (Sensitivity $1/mmbtu)	$2.5/mmbtu	$0.025 positive correlation
UK National Balancing Point Gas (Sensitivity $1/mmbtu)	£0.65/therm	

Note: Guidance given May 4, 2012. Sensitivities are provided on a standalone basis, assuming no change in the other factors, to illustrate the magnitude and direction of changing market factors on AES results. Estimates show the impact on 2012 adjusted EPS. Actual results may differ from the sensitivities provided due to execution of risk management strategies, local market dynamics and operational factors. 2012 guidance is based on currency and commodity forward curves and forecasts as of March 30, 2012. There are inherent uncertainties in the forecasting process and actual results may differ from projections. The Company undertakes no obligation to update the guidance presented today. Please see Item 3A of the Form 10-Q for a more complete discussion of this topic. AES has exposure to multiple coal, oil, and natural gas indices; forward curves are provided for representative liquid markets. Sensitivities are rounded to the nearest ½ cent per share.

1.The move is applied to the floating interest rate portfolio balances as of March 30, 2012.

Reconciliation of 2012 Guidance, Including Proportional Metrics

$ in Millions, Except Earnings Per Share	2012 Guidance (Given 5/4/12)[1]		
	Consolidated	Adjustment Factors[2]	Proportional[2]
Income Statement Elements			
Diluted Earnings Per Share from Continuing Operations	$1.22-$1.30		
Adjusted Earnings Per Share Factors[2]	($0.00)[3]		
Adjusted Earnings Per Share[2]	$1.22-$1.30[3]		
Cash Flow Elements			
Net Cash from Operating Activities	$3,100-$3,300	$1,175	$1,925-$2,125
Operational Capital Expenditures (a)	$1,050-$1,125	$300	$725-$850
Environmental Capital Expenditures (b)	$100-$125	$25	$75-$100
Maintenance Capital Expenditures (a + b)	$1,150-$1,250	$325	$800-$950
Free Cash Flow[2]	$1,900-$2,100	$850	$1,050-$1,250
Subsidiary Distributions[4]	$1,325-$1,525		
Reconciliation of Parent Free Cash Flow			
Subsidiary Distributions[4] (c)	$1,325-$1,525		
Cash Interest (d)	$450-$500		
Cash for Development, General & Administrative and Tax (e)	$325-$375		
Parent Free Cash Flow (c – d – e)	$550-$650		
Reconciliation of Free Cash Flow[2]			
Net Cash from Operating Activities	$3,100-$3,300	$1,175	$1,925-$2,125
Less: Maintenance Capital Expenditures	$1,150-$1,250	$325	$800-$950
Free Cash Flow[2]	$1,900-$2,100	$850	$1,050-$1,250
Reconciliation of Adjusted Gross Margin[2]			
Gross Margin	$4,000-$4,200	$1,300	$2,700-$2,900
Plus: Depreciation & Amortization	$1,400-$1,500	$300	$1,100-$1,200
Less: General & Administrative	$300-$350	-	$300-$350
Adjusted Gross Margin[2]	$5,125-$5,325	$1,600	$3,525-$3,725

1. 2012 guidance is based on expectations for future foreign exchange rates and commodity prices as of March 30, 2012.
2. A non-GAAP financial measure as reconciled above. See “definitions.”
3. Reconciliation of Adjusted EPS includes derivative losses of $0.05, debt retirement loses of $0.01, impairment losses of $0.09, and disposition gains of $0.15.
4. See “definitions.”

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 AES Corporation (the "Company"), and is considered in the Company's internal evaluation of financial performance. Factors in this determination include the variability due to mark-to-market gains or losses related to derivative transactions, currency gains or losses, losses due to impairments and strategic decisions to dispose or acquire business interests or retire debt which affect results in a given period or periods. Adjusted earnings per share should not be construed as an alternative to diluted earnings per share from continuing operations, which is determined in accordance with GAAP.

  For the quarter ended March 31, 2012, the Company refined its process for computing the tax effects of adjusted EPS items for interim periods. Accordingly, the Company has also reflected the refined process in the comparative three month period ended March 31, 2011.
- 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 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.
- Net debt (a non-GAAP financial measure) is defined as current and non-current recourse and non-recourse debt less cash and cash equivalents, restricted cash, short term investments, debt service reserves and other deposits. AES believes that net debt is a useful measure for evaluating our financial condition because it is a standard industry measure that provides an alternate view of a company's indebtedness by considering the capacity of cash. It is also a required component of valuation techniques used by management and the investment community.

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.