

The AES Corporation 49th Annual EEI Financial Conference

November 2014

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 32 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" and Item 7: Management's Discussion & Analysis in AES' 2013 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.

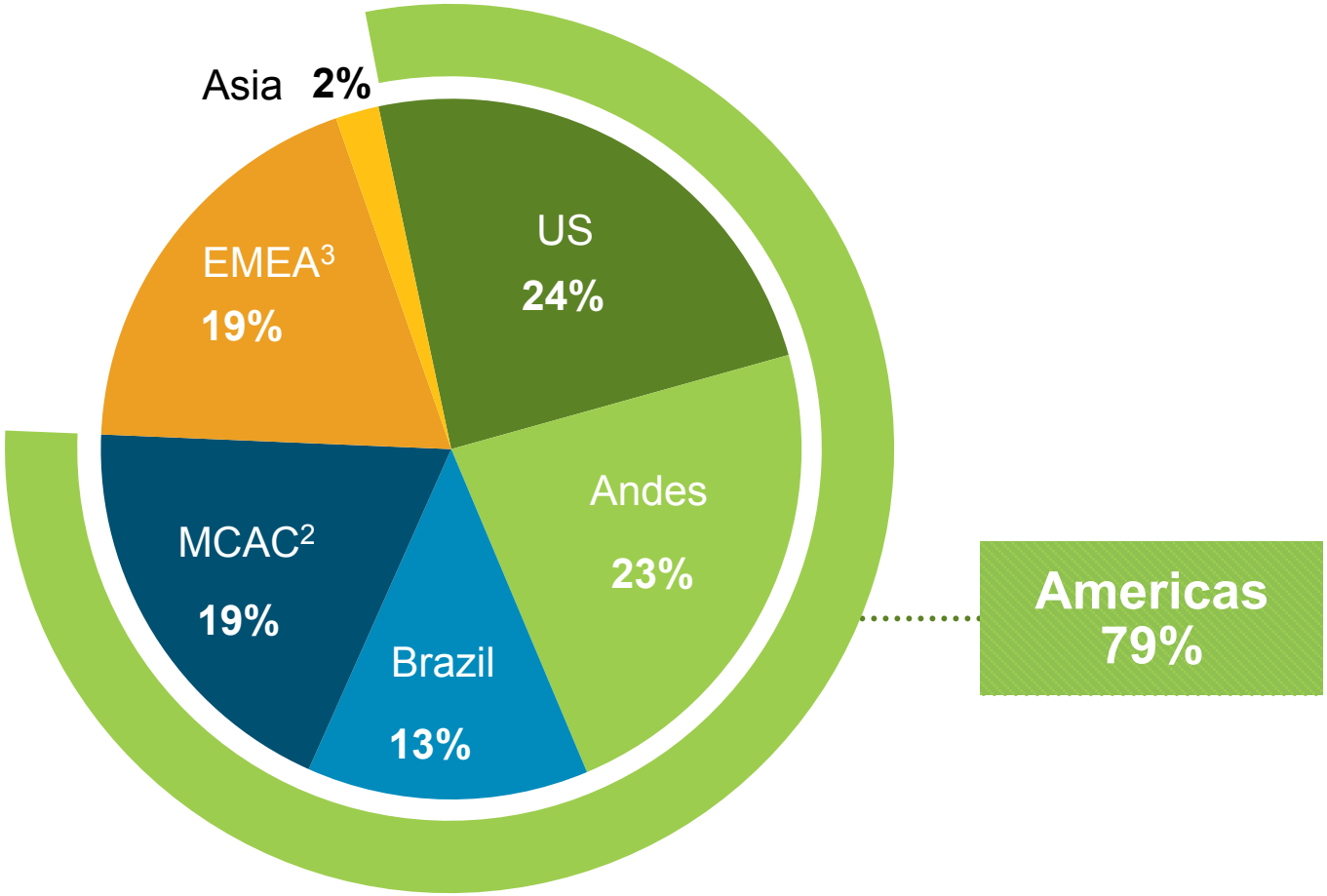
Executive Summary

- Diversified portfolio of largely contracted generation and utilities
- Executing on a strategy to:
  - Reduce risk
  - Drive growth
  - Enhance returns

Goal: Deliver Higher Risk-Adjusted Returns

Who We Are: A Diversified Power Generation and Distribution Company

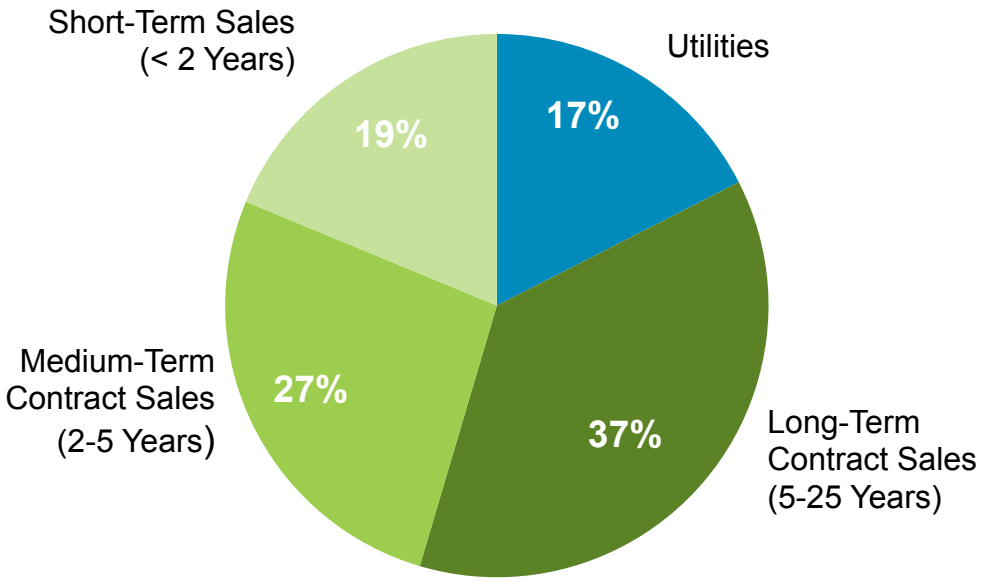
FY 2014 Adjusted PTC[1]: $1.9 Billion Before Corporate Charges of $0.6 Billion



1. A non-GAAP financial measure. See Appendix for definition and reconciliation.
2. Mexico, Central America and Caribbean.
3. Europe, Middle East and Africa.

Who We Are: 80% of Portfolio Businesses are Contracted or Utilities

2014 Adjusted PTC[1] by Contract Type



Average Remaining Contract Term is 7 Years[2]

1. A non-GAAP financial measure. See Appendix for definition and reconciliation.
2. Average of medium- and long-term contracts. PPA MW-weighted average is adjusted for AES' ownership stake.

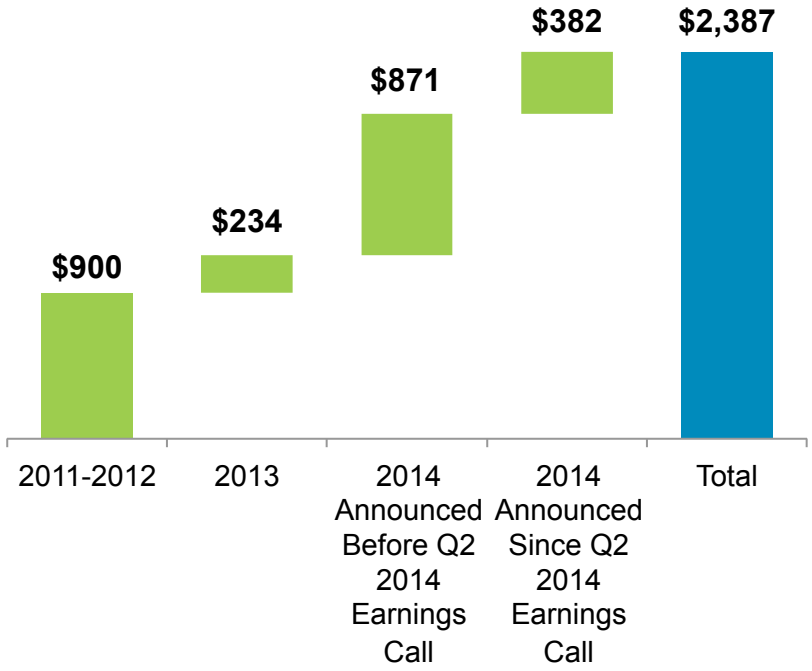
Reducing Complexity and Expanding Access to Capital

$ in Millions

Announced Transactions Since Q2 2014 Earnings Call

- Announced 3 transactions ($382 million in proceeds); sold at 13x 2015 P/E:
  - AES Entek (Turkey JV): $125 million
  - UK Wind: $161 million
  - AES Dominicana minority interest (Dominican Republic): $96 million

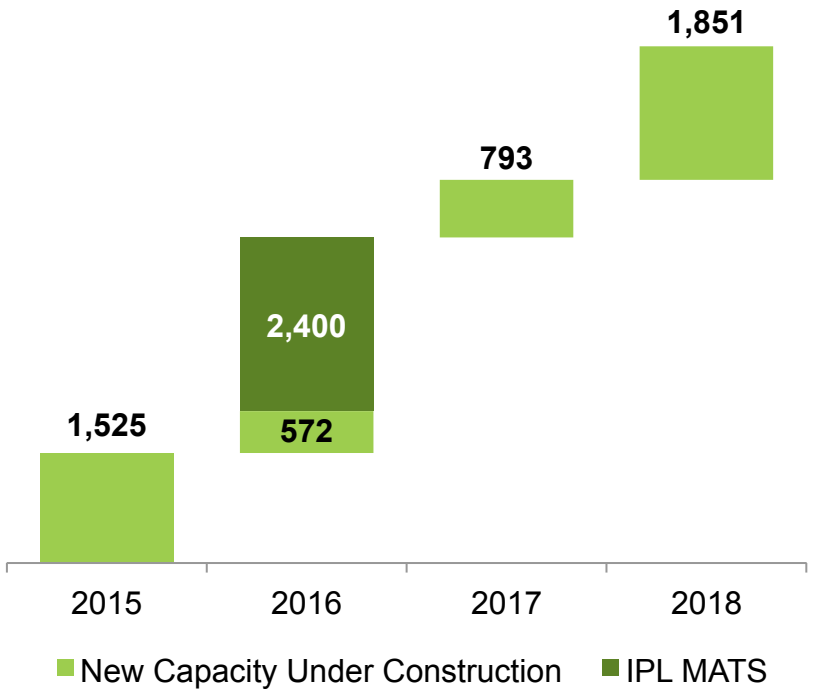
Achieved $2 Billion Asset Sale Proceeds Target One Year Early



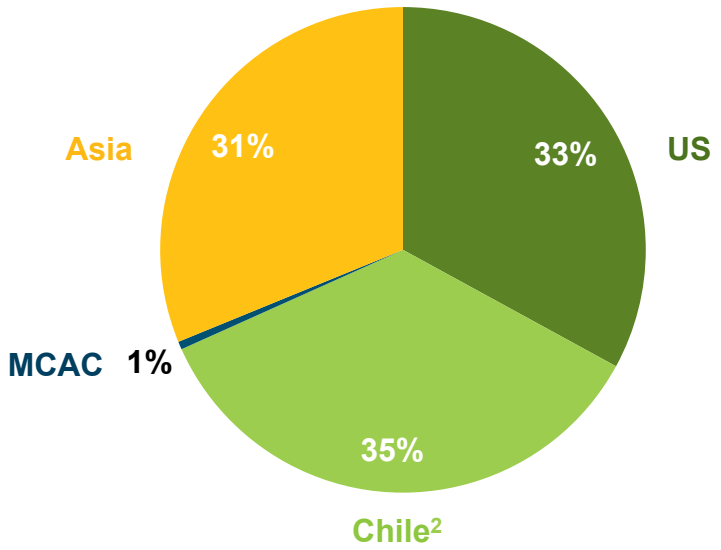
Leveraging Our Platforms: Projects Under Construction Yield More Than 15% ROE[1]

MW Additions by Year

4,741 MW, Plus 2,400 MW of MATS Upgrades Under Construction



AES Equity Investments of $1.5 Billion



1. Based on 2018 contributions from all projects under construction and IPL MATS upgrades. Assumes a full year contribution from Alto Maipo, which is expected to come on-line in 2H 2018. Weighted Average Return on Equity is net income divided by AES equity contribution.
2. AES Gener, listed in Santiago.

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.

Leveraging Our Platforms: Development at Southland (California)

Awarded 20-Year PPAs for 1,384 MW of Capacity

- 1,284 MW of gas-fired capacity
  - Construction expected to begin in 2017 and commercial operations in 2020
- 100 MW of interconnected battery-based energy storage
  - First time energy storage awarded a long-term PPA, when competing against traditional peaking capacity
  - Commercial operations expected in 2021
- Total project cost expected to be $1.9 billion
- Well-positioned to bid on future capacity offerings



Leveraging Our Platforms: Development at IPL (Indiana)

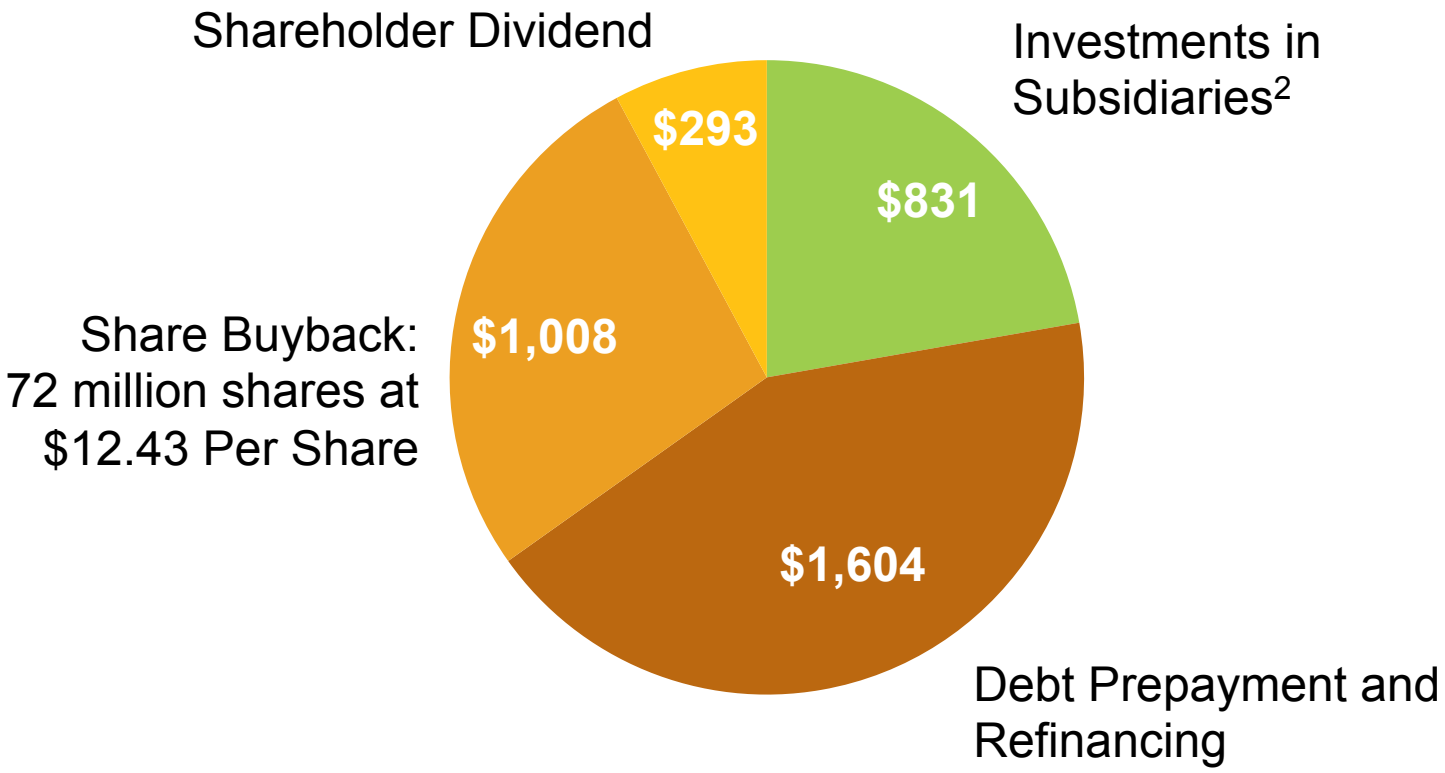
Environmental Compliance Investments

- Applied for approval from the Indiana Utility Regulatory Commission for $332 million investment
  - Compliance with wastewater regulations
    - Operations expected in the second half of 2017
  - Conversion of 410 MW Harding Street Station Unit 7 from coal to natural gas
    - Expected completion in the first half of 2016



Invested $3.7[1] Billion of Discretionary Cash in Shareholder Returns, Debt Paydown and Select Growth Projects

September 2011-December 2014; $ in Millions

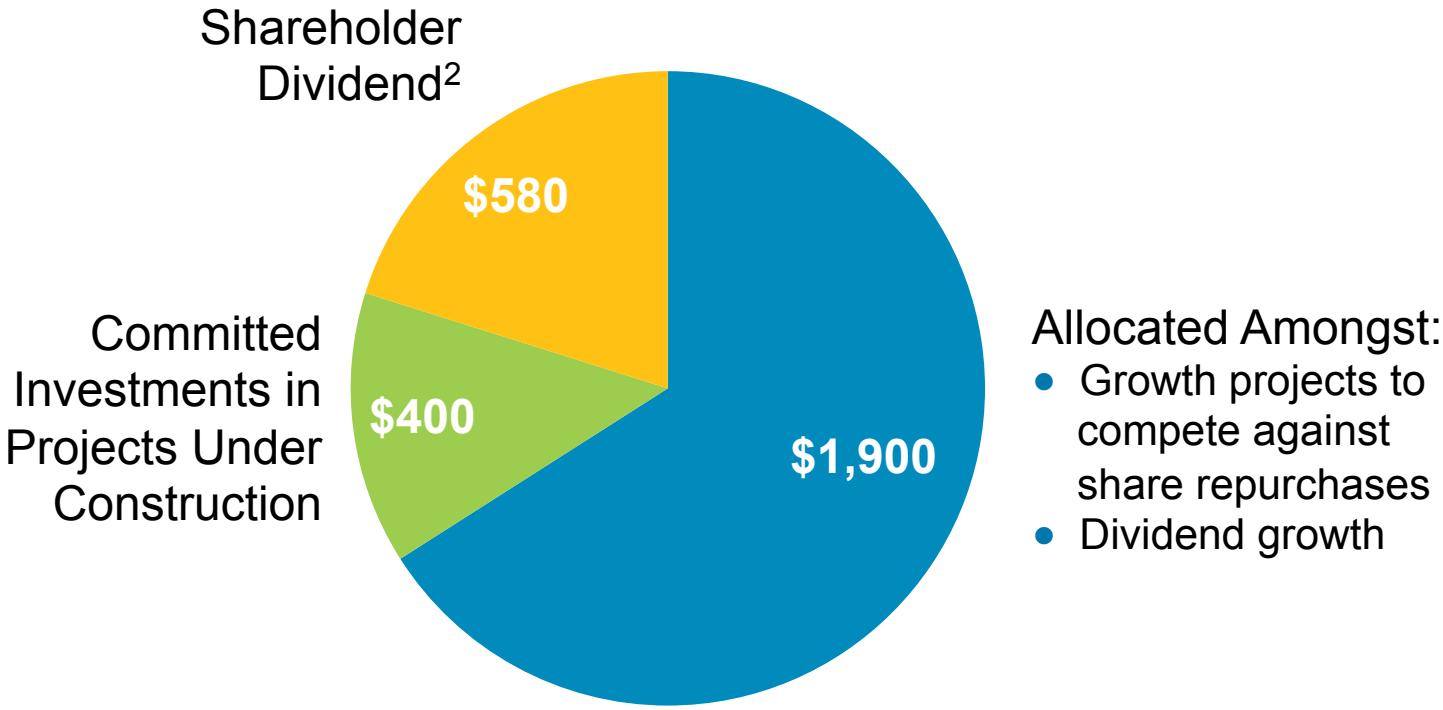


78% of Discretionary Cash Allocated to Deleveraging and Returning Cash to Shareholders

1. Full year 2014 amounts estimated.
2. Excludes $2.3 billion investment in DPL in 2011.

Investment of $2.9 Billion[1] of Discretionary Cash Will Increase Shareholder Value

2015-2018; $ in Millions



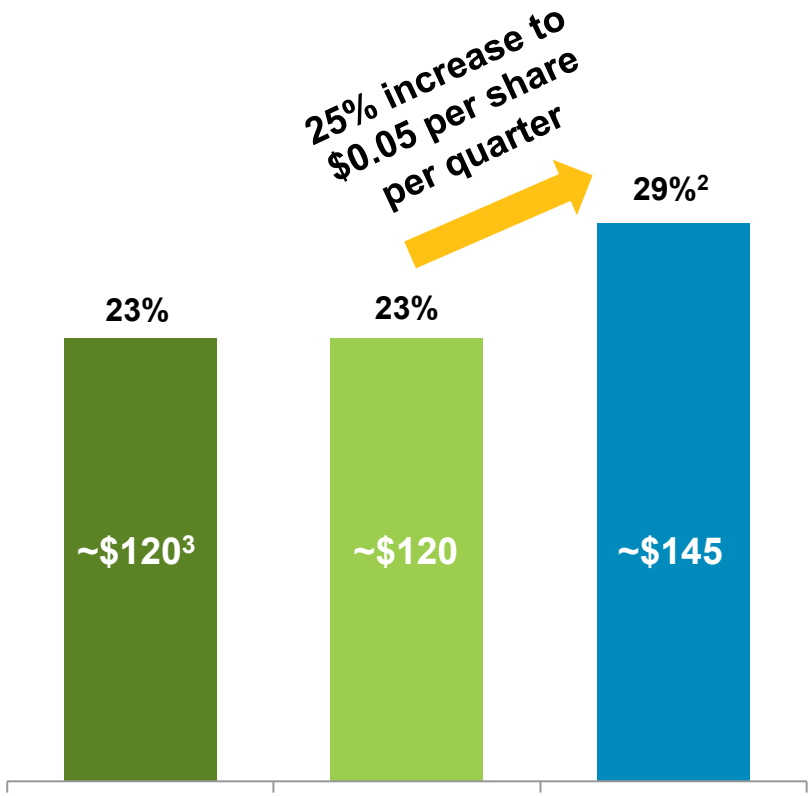
Additional Asset Sales Would Increase Available Discretionary Cash

1. Includes: $300 million beginning cash; $165 million asset sale proceeds ($125 million from sale of AES Entek joint venture in Turkey and $40 million from sale of Sonel, Kribi and Dibamba in Cameroon); and Parent Free Cash Flow of $2,400 million, which is based on $525 million in 2015, growing at the low-end of our 10%-15% cash flow growth rate through 2018.
2. Assumes constant 2014 dividend payment of $145 million each year through 2018.

Dividend Policy: Payout Ratio Target of 30%-40% of Sustainable Parent Free Cash Flow (Parent FCF)[1]

$ in Millions

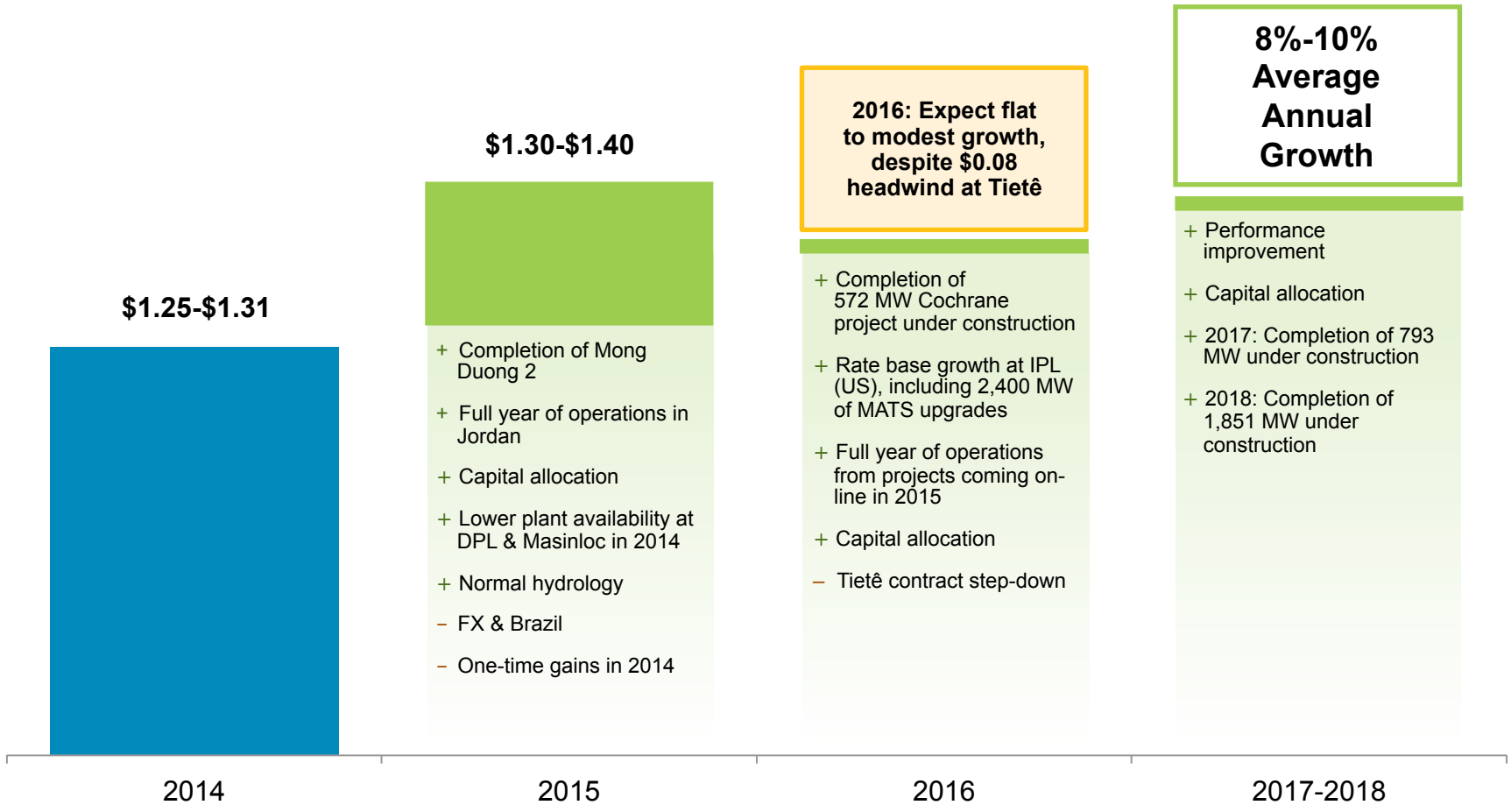
- Dividend level is tied to Parent FCF[1]
  - 2015 Parent FCF[1] expectation: $475-$575
  - Expect Parent FCF[1] to grow in-line with Proportional FCF[1] average annual growth of 10%-15% through 2018
- Current payout ratio is at the low-end of the target range
- Dividend level typically reviewed with Board in December



	2012	2013	2014
Parent FCF[1]	$521	$516	$465-$535

1. A non-GAAP financial measure.
2. Based on mid-point of $465-$535 million range.
3. Annualized; initiated dividend in fourth quarter 2012 for $30 million.

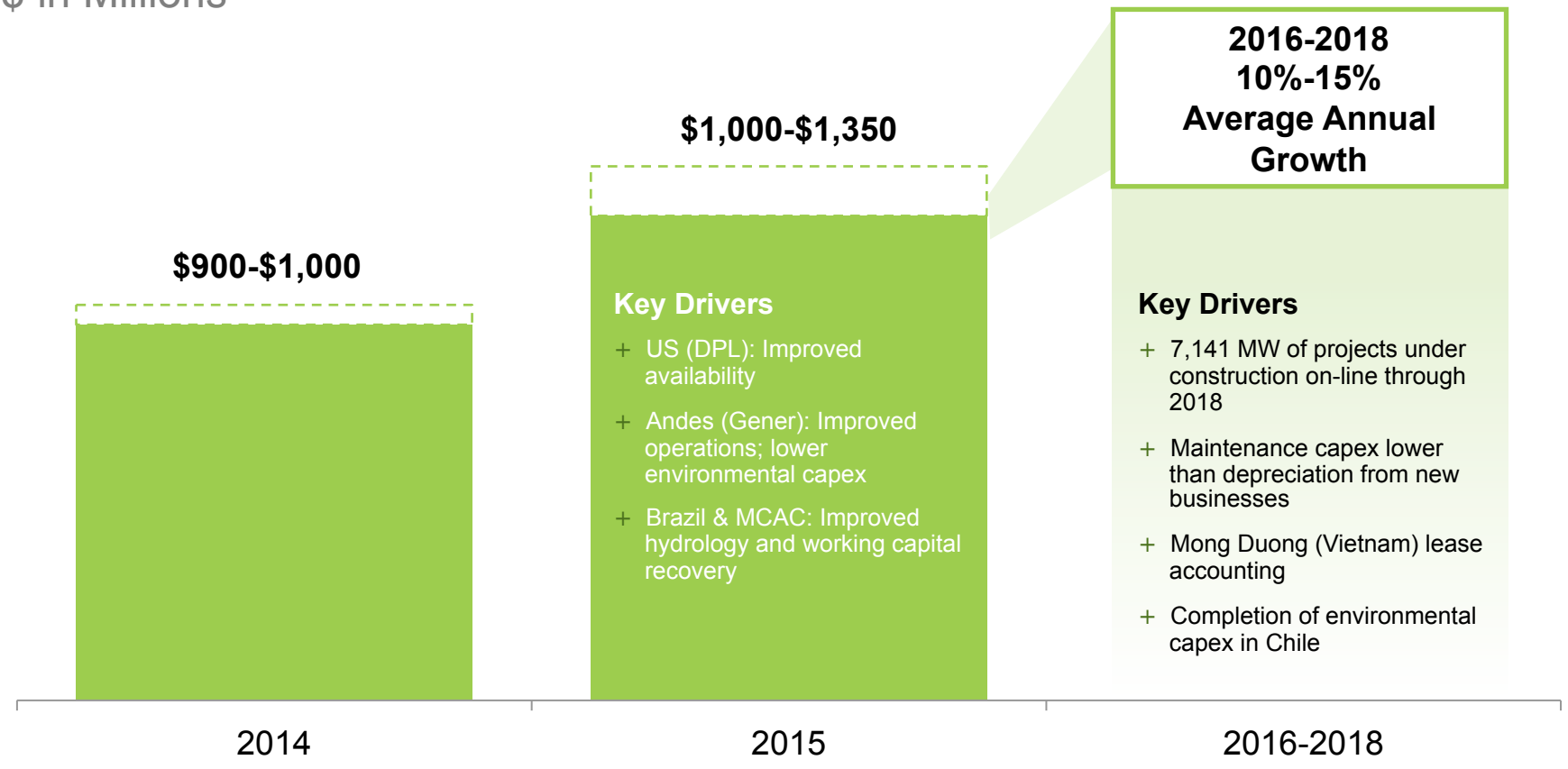
Adjusted EPS[1] Growth Drivers



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

Proportional Free Cash Flow (Prop FCF)[1] Expectations

$ in Millions



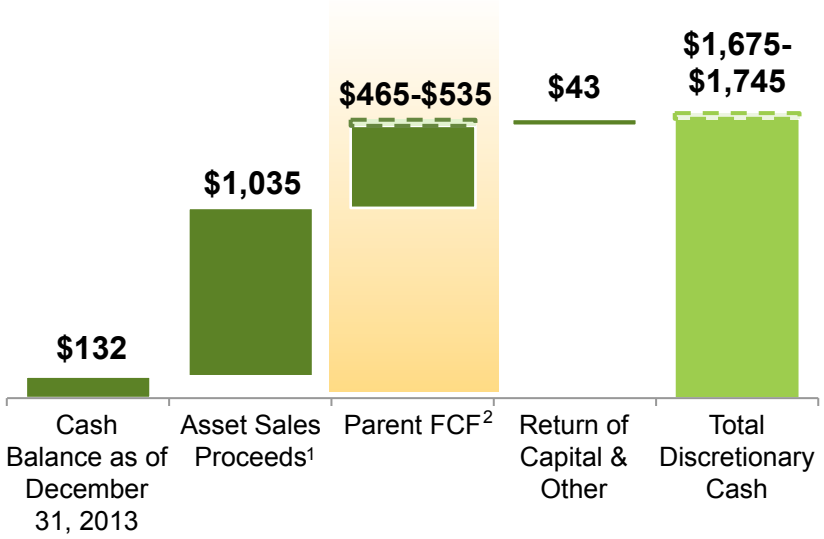
Strong and Growing Proportional Free Cash Flow[1] Drives Increasing Total Return

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

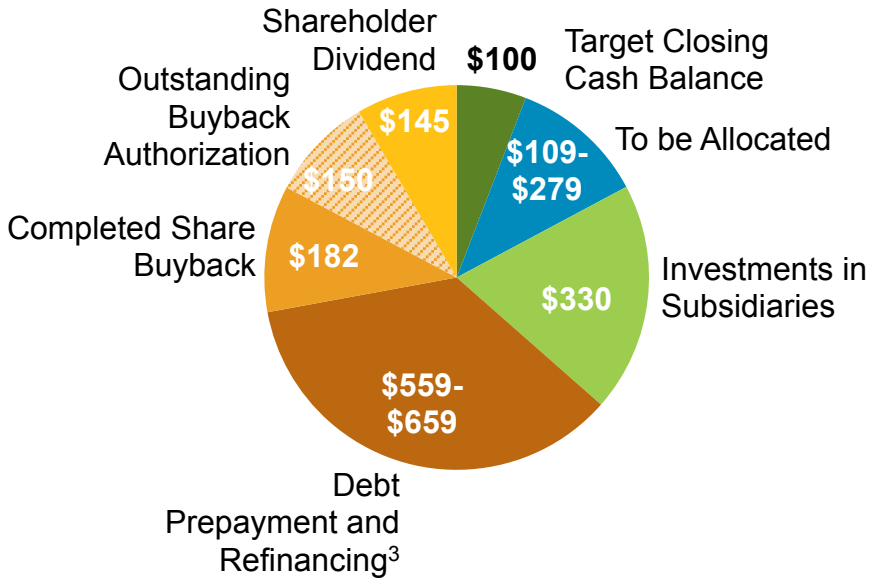
2014 Parent Capital Allocation Plan

$ in Millions

Discretionary Cash – Sources ($1,675-$1,745)



Discretionary Cash – Uses ($1,675-$1,745)



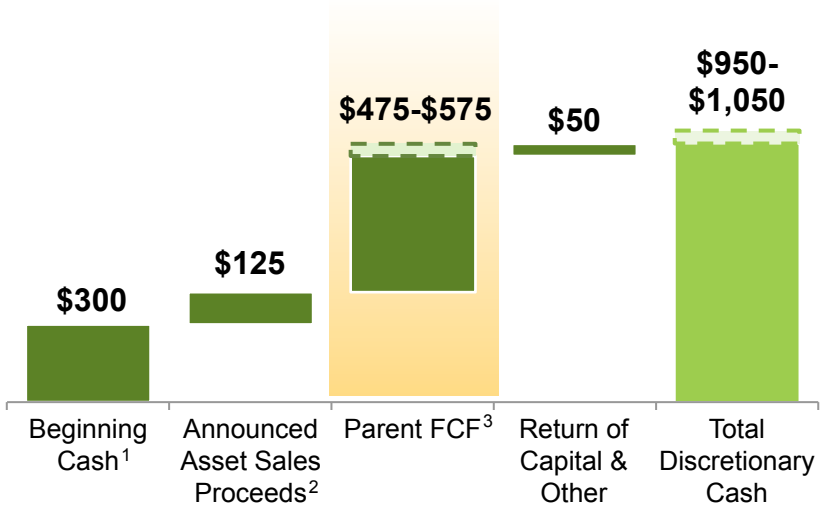
77% of Discretionary Cash Allocated to Deleveraging and Returning $477 Million to Shareholders

1. Includes announced or closed asset sale proceeds net of transaction costs of: $435 million (Masinloc in the Philippines), $176 million (solar), $153 million (Sonel, Kribi and Dibamba in Cameroon), $156 million (UK Wind), $78 million (Dominican Republic), $27 million (3 US wind facilities) and $8 million (India wind).
2. A non-GAAP financial metric. See Appendix for definition and reconciliation.
3. Includes $460 million recourse debt prepayment, associated premiums and $12 million net use of cash related to first half 2014 refinancings. Also includes approximately $125 million, or 50% of additional asset sale proceeds received since our Q2 earnings call on August 7, 2014, to maintain credit neutrality.

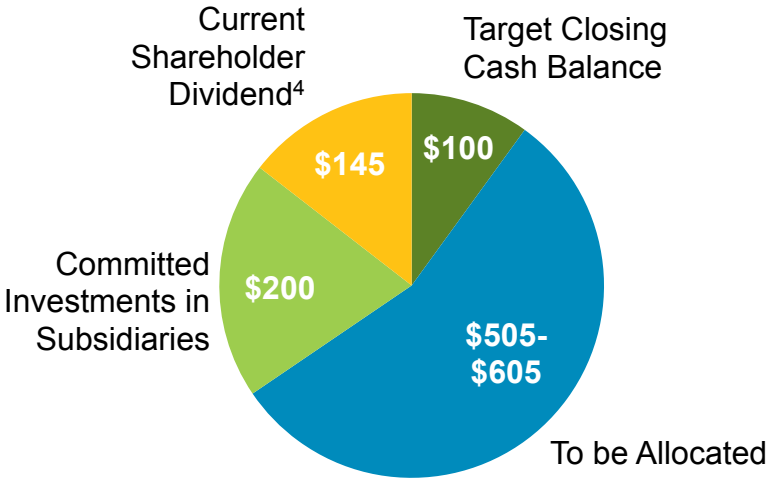
2015 Parent Capital Allocation Plan

$ in Millions

Discretionary Cash – Sources ($950-$1,050)



Discretionary Cash – Uses ($950-$1,050)



New Growth Investments Will Compete Against Share Repurchases; Ample Capacity to Increase Shareholder Dividend

1. Includes $100 million target closing cash balance and $200 million unallocated discretionary cash from 2014.
2. Includes announced asset sale proceeds of: $125 (AES Entek joint venture in Turkey).
3. A non-GAAP financial metric. See Appendix for definition and reconciliation.
4. Assumes constant 2014 dividend payment of $145 million.

Key Takeaways

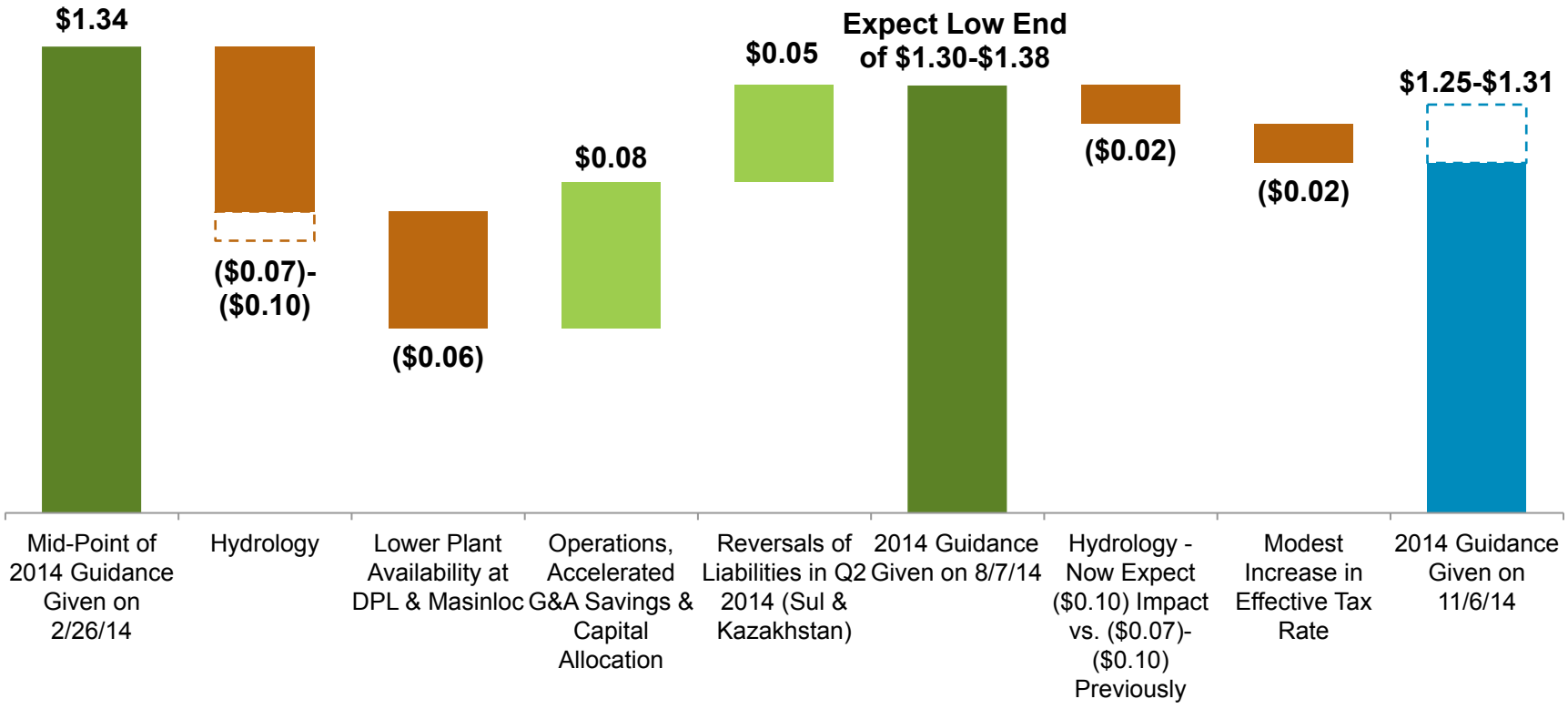
- Executing on our strategic objectives
- $2.4 billion in announced asset sales achieved one year early; exiting 9 countries
- Construction pipeline represents $9 billion in total project costs and 7,141 MW of new capacity and upgrades
- Expect to return up to $480 million to shareholders in 2014 through dividends and share buybacks – the highest in AES' history
- Significant capacity to return cash to shareholders and invest in growth projects in the future

Appendix

- FY 2014 Adjusted EPS[1] Guidance — Slide 19
- FY 2014 Adjusted PTC[1] Modeling Ranges — Slide 20
- FY 2015 Adjusted EPS[1] Guidance — Slide 21
- FY 2015 Adjusted PTC[1] Modeling Ranges — Slide 22
- 2014 Guidance Estimated Sensitivities — Slide 23
- 2015 Guidance Estimated Sensitivities — Slide 24
- Currency and Commodities — Slides 25-26
- Construction Program — Slide 27
- DPL Inc. Modeling Disclosures — Slide 28
- DP&L and DPL Inc. Debt Maturities — Slide 29
- Reconciliations — Slides 30-31
- Assumptions & Definitions — Slides 32-34

1. A non-GAAP financial measure.

Revised Full Year 2014 Adjusted EPS[1] Guidance



1. A non-GAAP financial measure. See Slide 30 for reconciliation and "definitions".

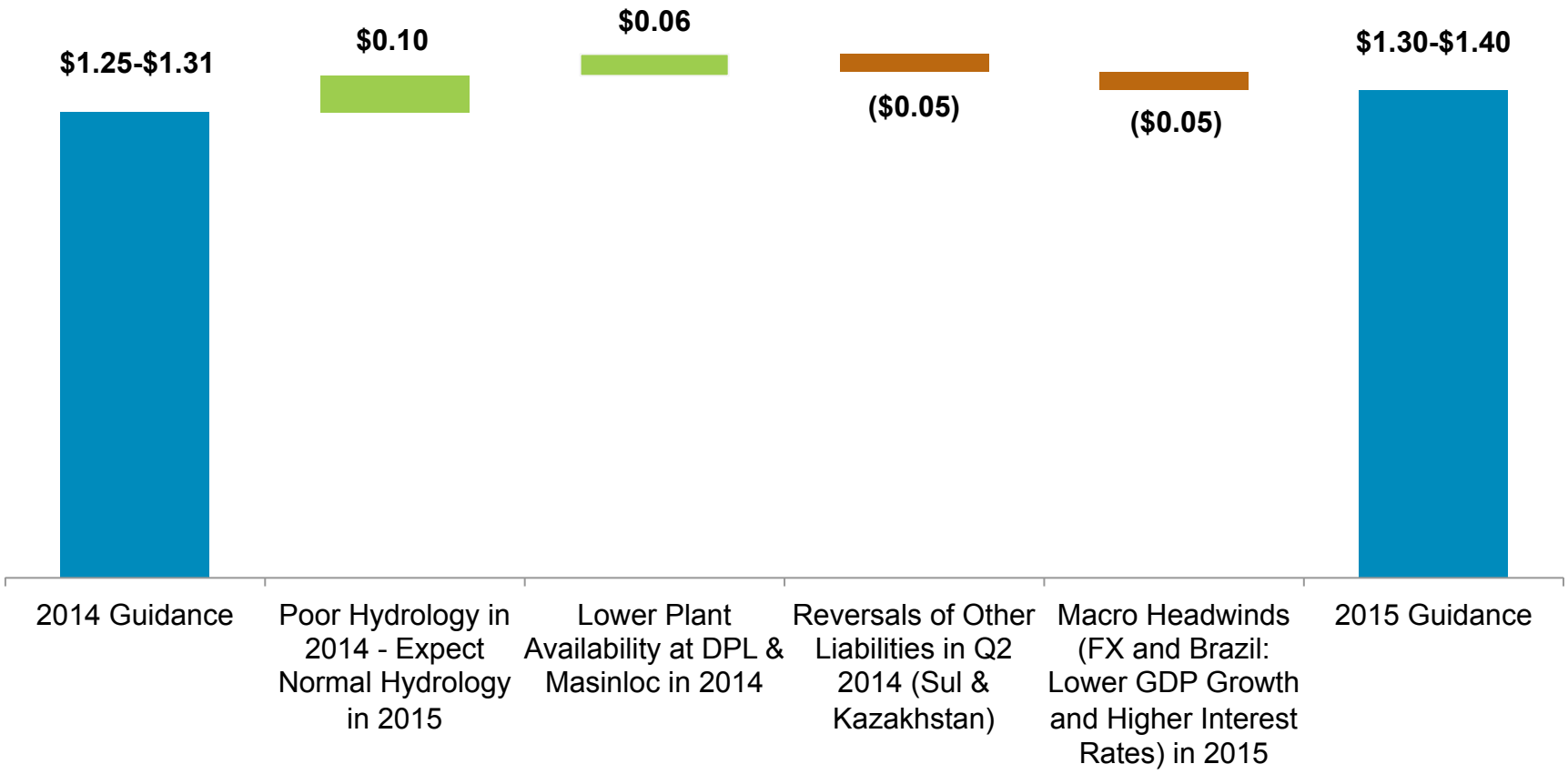
Full Year 2014 Adjusted EPS[1] Guidance of $1.25-$1.31

$ in Millions

SBU	Prior 2014 Adjusted PTC[1] Modeling Range[2] (Provided 2/26/14)	Direction vs. Prior Range	Current 2014 Adjusted PTC[1] Modeling Range[2] (Provided 11/6/14)	Drivers
US	$390-$440	+	$430-$460	+ IPL favorable wholesale margin + Wind performance
Andes	$370-$415	+	$410-$450	+ Hydrology in Colombia
Brazil	$250-$290	–	$235-$255	– Tietê hydrology + Sul reversal of a loss contingency
MCAC	$390-$450	–	$340-$370	– Hydrology in Panama
EMEA	$360-$400	–	$350-$370	– Kilroot dark spreads
Asia	$95-$125	–	$35-$55	– Masinloc outages and sell-down
Total SBUs	**$1,855-$2,120**		**$1,800-$1,960**	
Corp/Other	($600)-($630)		($530)-($570)	+ Lower Parent interest expense + Lower G&A
Total AES Adjusted PTC[1,2]	**$1,250-$1,490**		**$1,270-$1,390**	
Adjusted Effective Tax Rate	30%-32%		31%-33%	
Diluted Share Count	730		724	
ADJUSTED EPS[1]	**$1.30-$1.38**		**$1.25-$1.31**	

1. A non-GAAP financial metric. See Slide 30 for reconciliation and “definitions”.
2. Total AES Adjusted PTC includes after-tax adjusted equity in earnings.

2015 Adjusted EPS[1] Guidance Range of $1.30-$1.40



1. A non-GAAP financial measure. See Slide 31 for reconciliation and "definitions".

Full Year 2015 Adjusted PTC[1] Modeling Range

$ in Millions

SBU	Adjusted PTC[1] Modeling Range[2]	Drivers
US	$450-$490	+ DPL operating performance
Andes	$390-$430	– Hydrology in Colombia
Brazil	$200-$230	– 2014 one-time gain at Sul in Q2 2014
MCAC	$395-$435	+ Hydrology in Panama – Ancillary services in the Dominican Republic
EMEA	$260-$300	– Ebute contract step-down – 2014 one-time gain in Kazakhstan in Q2 2014 – FX
Asia	$60-$80	+ Masinloc performance
Total SBUs	**$1,755-$1,965**	
Corp/Other	($500)-($540)	+ Lower G&A + Lower Parent interest expense
Total AES Adjusted PTC[1,2]	**$1,255-$1,425**	

1. A non-GAAP financial metric. See Slide 31 for reconciliation and "definitions".
2. Total AES Adjusted PTC includes after-tax adjusted equity in earnings. Modeling ranges provided on November 6, 2014.

Year-to-Go 2014 Guidance Estimated Sensitivities

Interest Rates[1]

- 100 bps move in interest rates over YTG 2014 is equal to a change in EPS of approximately $0.01
- 10% appreciation in USD against the following key currencies is equal to the following negative EPS impacts:

Currencies

	YTG 2014	
	Average Rate	Sensitivity
Argentine Peso (ARS)	8.72	Less than $0.005
Brazilian Real (BRL)	2.48	Less than $0.005
Euro	1.28	Less than $0.005
Great British Pound (GBP)	1.60	Less than $0.005
Kazakhstan Tenge (KZT)	182.1	Less than $0.005

Commodity Sensitivity

10% increase in commodity prices is forecasted to have the following EPS impacts:	YTG 2014	
	Average Rate	Sensitivity
NYMEX Coal	$52/ton	Less than $0.005, negative correlation
Rotterdam Coal (API 2)	$71/ton	
NYMEX WTI Crude Oil	$81/bbl	$0.005, positive correlation
IPE Brent Crude Oil	$84/bbl	
NYMEX Henry Hub Natural Gas	$3.8/mmbtu	$0.005, positive correlation
UK National Balancing Point Natural Gas	£0.56/therm	

Note: Guidance provided on November 6, 2014. 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 YTG (October-December) 2014 adjusted EPS. Actual results may differ from the sensitivities provided due to execution of risk management strategies, local market dynamics and operational factors. 2014 guidance is based on currency and commodity forward curves and forecasts as of October 15, 2014. 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 3 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 September 30, 2014.

2015 Guidance Estimated Sensitivities

Interest Rates[1]

- 100 bps move in interest rates over FY 2015 is equal to a change in EPS of approximately $0.03
- 10% appreciation in USD against the following key currencies is equal to the following negative EPS impacts:

Currencies

	2015	
	Average Rate	Sensitivity
Argentine Peso (ARS)	11.56	Less than $0.005
Brazilian Real (BRL)	2.63	$0.020
Colombian Peso (COP)	2,125.7	$0.015
Euro (EUR)	1.29	$0.015
Great British Pound (GBP)	1.60	$0.005
Kazakhstan Tenge (KZT)	191.5	$0.005

Commodity Sensitivity

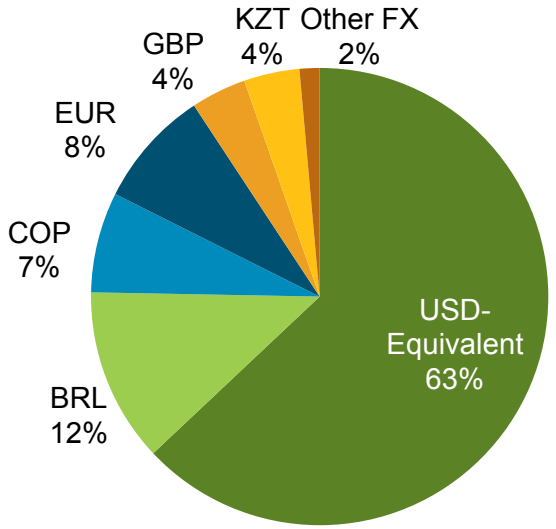
10% increase in commodity prices is forecasted to have the following EPS impacts:	2015	
	Average Rate	Sensitivity
NYMEX Coal	$56/ton	$0.020, negative correlation
Rotterdam Coal (API 2)	$72/ton	
NYMEX WTI Crude Oil	$79/bbl	$0.010, positive correlation
IPE Brent Crude Oil	$87/bbl	
NYMEX Henry Hub Natural Gas	$3.8/mmbtu	$0.025, positive correlation
UK National Balancing Point Natural Gas	£0.56/therm	

Note: Guidance provided on November 6, 2014. 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 full year 2015 adjusted EPS. Actual results may differ from the sensitivities provided due to execution of risk management strategies, local market dynamics and operational factors. 2015 guidance is based on currency and commodity forward curves and forecasts as of October 15, 2014. 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 3 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.

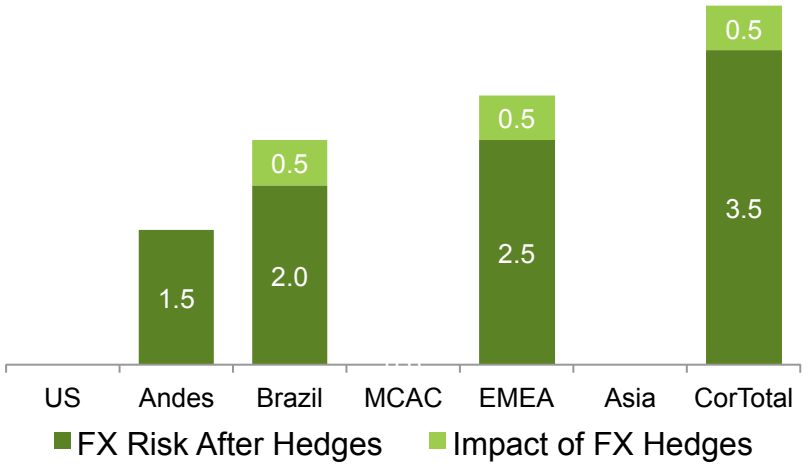
1. The move is applied to the floating interest rate portfolio balances as of September 30, 2014.

2015 Foreign Exchange (FX) Risk Mitigated Through Structuring of Our Businesses and Active Hedging

2015 Adjusted PTC[1]: $2 Billion FX Risk by Currency



2015 Full Year FX Sensitivity[2,3] by SBU (Cents Per Share)

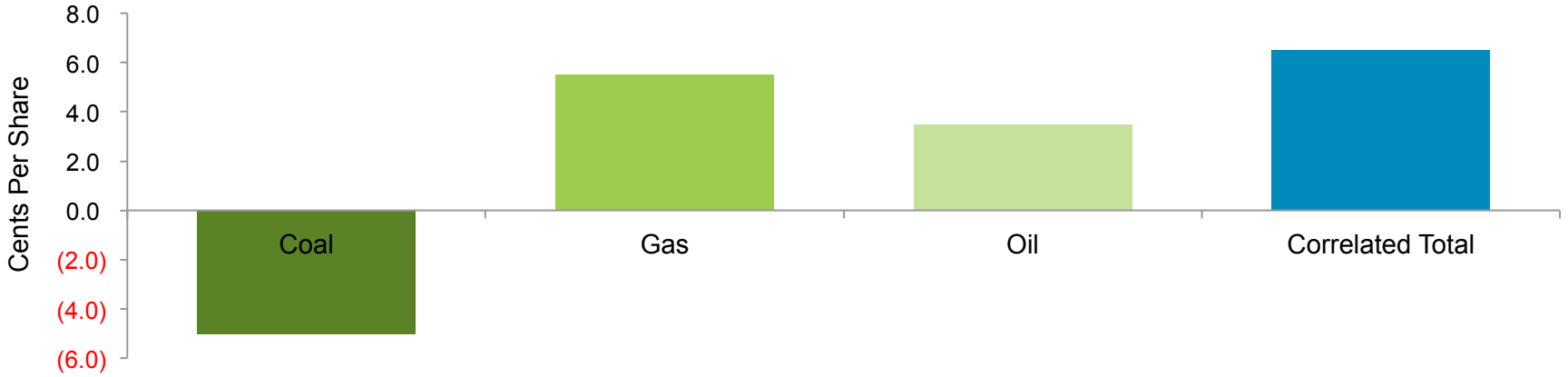


- 2015 correlated FX risk after hedges is $0.03 for 10% USD appreciation
- 63% of 2015 earnings effectively USD
  - USD-based economies (i.e. U.S., Panama)
  - Structuring of our PPAs
- FX risk mitigated on 12-month rolling basis by shorter-term active FX hedging programs

1. Before Corporate Charges. A non-GAAP financial measure. See “definitions”.
2. Sensitivity represents full year 2015 exposure to a 10% appreciation of USD relative to foreign currency as of October 15, 2014.
3. Andes includes Argentina and Colombia businesses only due to limited translational impact of USD appreciation to Chilean businesses.

Commodity Exposure is Largely Hedged Through 2015, Long on Natural Gas and Oil in Medium- to Long-Term

Full Year 2017 Adjusted EPS[1] Commodity Sensitivity[2] for 10% Change in Commodity Prices



- Primarily hedged in 2014 – correlated full year sensitivity as of December 31, 2013 was $0.025, balance of year as of October 15, 2014 is $0.005
- Mostly hedged through 2015, more open positions in a longer term is the primary driver of increase in commodity sensitivity

1. A non-GAAP financial measure. See “definitions”.
2. Domestic and International sensitivities are combined and assumes each fuel category moves 10%. Adjusted EPS is negatively correlated to coal price movement, and positively correlated to gas and oil price movements.

Attractive Returns from 2015-2018 Construction Pipeline

$ in Millions, Unless Otherwise Stated

Project	Country	AES Ownership	Fuel	Gross MW	Expected COD	Total Capex	Total AES Equity	ROE	Comments
Construction Projects Coming On-Line 2014-2018									
Tunjita	Colombia	71%	Hydro	20	1H 2015	$67	$2[1]		Lease capital structure at Chivor
Warrior Run ES	US-MD	100%	Energy Storage	20	1H 2015	$8	$8		
Estrella del Mar I	Panama	50%	Fuel Oil	72	1H 2015	$50	$8		
Guacolda V	Chile	35%	Coal	152	2H 2015	$454	$48		
Mong Duong 2	Vietnam	51%	Coal	1,240	2H 2015	$1,948	$249		
Andes Solar	Chile	71%	Solar	21	2H 2015	$44	$22		
IPL MATS	US-IN	100%	Coal		1H 2016	$511	$230		Environmental (MATS) upgrades of 2,400 MW
Cochrane	Chile	42%	Coal Energy Storage	532 40	2H 2016	$1,350	$130		
Eagle Valley CCGT	US-IN	100%	Gas	671	1H 2017	$585	$263		
DPP Conversion	Dominican Republic	92%	Gas	122	1H 2017	$260	$0		
OPGC 2	India	49%	Coal	1,320	1H 2018	$1,600	$225		
Alto Maipo	Chile	42%	Hydro	531	2H 2018	$2,050	$335		
ROE[2] IN 2018								**>15%**	**Weighted average; net income divided by AES equity contribution**
CASH YIELD[2] IN 2018								**~16%**	**Weighted average; subsidiary distributions divided by AES equity contribution**

1. AES equity contribution equal to 71% of AES Gener's equity contribution to the project.
2. Based on projections. See our 2013 Form 10-K for further discussion of development and construction risks. Based on 2018 contributions from all projects under construction and IPL MATS upgrades. Assumes a full year contribution from Alto Maipo, which is expected to come on-line in 2H 2018.

DPL Inc. Modeling Disclosures

Based on Market Conditions and Hedged Position as of September 30, 2014

	Full Year 2014	Full Year 2015	Full Year 2016
Volume Production (TWh)	14	13	13
% Volume Hedged	>85%	~70%	~35%
EBITDA Generation Business[1,2] ($ in Millions)		$100 to $110 per year	
EBITDA DPL Inc. including Generation and T&D ($ in Millions)		~ $350 per year	
Reference Prices			
Henry Hub Natural Gas ($/mmbtu)	4.0	4.0	4.1
AEP-Dayton Hub ATC Prices ($/MWh)	44	38	37
EBITDA Sensitivities (with Existing Hedges)[3] ($ in Millions)			
+/-10% Henry Hub Natural Gas	<$5	$10	$35

1. Includes DPL's competitive retail segment.
2. Excludes capacity premium performance uplift.
3. Gas price sensitivities are based on an calculated gas-power relationship. There is some degree of asymmetry considering dispatch capabilities of units.

Non-Recourse Debt at DP&L and DPL Inc.

$ in Millions

Series	Interest Rate	Maturity	Amount Outstanding as of September 30, 2014	Remarks
2013 First Mortgage Bonds	**1.875%**	**September 2016**	**$445.0**	• **Callable at make-whole T +20**
2006 OH Air Quality Pollution Control	4.8%	September 2036	$100.0	• Non-callable; callable at par in September 2016
2005 Boone County, KY Pollution Control	4.7%	January 2028	$35.3	• Non-callable; callable at par in July 2015
2005 OH Air Quality Pollution Control	4.8%	January 2034	$137.8	• Non-callable; callable at par in July 2015
2005 OH Water Quality Pollution Control	4.8%	January 2034	$41.3	• Non-callable; callable at par in July 2015
2008 OH Air Quality Pollution Control VDRNs	Variable	November 2040	$100.0	• Callable at par
Total Pollution Control	**Various**	**Various**	**$414.4**	
Wright-Patterson AFB Note	**4.2%**	**February 2061**	**$18.3**	• **No contractual prepayment option**
DP&L Preferred	**3.8%**	**N/A**	**$22.9**	• **Redeemable at pre-established premium**
Total DP&L			**$901.0**	
2018 Term Loan	**Variable**	**May 2018**	**$160.0**	• **No prepayment penalty**
2011 Senior Unsecured	6.50%	October 2016	$430.0	• Callable at make-whole T +50
2011 Senior Unsecured	7.25%	October 2021	$780.0	• Callable at make-whole T +50
Total Senior Unsecured	**Various**	**Various**	**$1,210**	
2001 Cap Trust II Securities	**8.125%**	**September 2031**	**$20.6**	• **Non-callable**
Total DPL Inc.			**$1,390.6**	
TOTAL			**$2,291.6**	

Reconciliation of 2014 Guidance

$ in Millions, Except Per Share Amounts

2014 Guidance	
Adjusted EPS[1]	$1.25-$1.31
Proportional Free Cash Flow[1]	$900-$1,000
Consolidated Net Cash Provided by Operating Activities	$1,800-$2,200

Reconciliation	Consolidated	Adjustment Factor	Proportional
Consolidated Net Cash Provided by Operating Activities (a)	$1,800-$2,200	$350-$650	$1,450-$1,550
Maintenance & Environmental Capital Expenditures (b)	$650-$850	$200	$450-$650
Free Cash Flow[1] (a - b)	$1,050-$1,450	$150-$450	$900-$1,000

- Commodity and foreign currency exchange rates forward curves as of October 15, 2014

1. A non-GAAP financial measure. See “definitions”.

Reconciliation of 2015 Guidance

$ in Millions, Except Per Share Amounts

2015 Guidance	
Adjusted EPS[1]	$1.30-$1.40
Proportional Free Cash Flow[1]	$1,000-$1,350
Consolidated Net Cash Provided by Operating Activities	$2,000-$2,800

Reconciliation	Consolidated	Adjustment Factor	Proportional
Consolidated Net Cash Provided by Operating Activities (a)	$2,000-$2,800	$350-$800	$1,650-$2,000
Maintenance & Environmental Capital Expenditures (b)	$700-$1,000	$200	$500-$800
Free Cash Flow[1] (a - b)	$1,150-$1,950	$150-$600	$1,000-$1,350

- Commodity and foreign currency exchange rates forward curves as of October 15, 2014

1. A non-GAAP financial measure. 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

- **Adjusted Earnings Per Share** (a non-GAAP financial measure) is defined as diluted earnings per share from continuing operations excluding gains or losses of both consolidated entities and entities accounted for under the equity method due to (a) unrealized gains or losses related to derivative transactions, (b) unrealized foreign currency gains or losses, (c) gains or losses due to dispositions and acquisitions of business interests, (d) losses due to impairments, and (e) costs due to the early retirement of debt, adjusted for the same gains or losses excluded from consolidated entities. The GAAP measure most comparable to Adjusted EPS is diluted earnings per share from continuing operations. AES believes that Adjusted EPS 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 unrealized gains or losses related to derivative transactions, unrealized foreign 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 EPS should not be construed as an alternative to diluted earnings per share from continuing operations, which is determined in accordance with GAAP.
- **Adjusted Pre-Tax Contribution** (a non-GAAP financial measure) represents pre-tax income from continuing operations attributable to AES excluding gains or losses of both consolidated entities and entities accounted for under the equity method due to (a) unrealized gains or losses related to derivative transactions, (b) unrealized foreign currency gains or losses, (c) gains or losses due to dispositions and acquisitions of business interests, (d) losses due to impairments, and (e) costs due to the early retirement of debt, adjusted for the same gains or losses excluded from consolidated entities. It includes net equity in earnings of affiliates, on an after-tax basis. The GAAP measure most comparable to Adjusted PTC is income from continuing operations attributable to AES. AES believes that Adjusted PTC 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 unrealized gains or losses related to derivative transactions, unrealized foreign 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. Earnings before tax represents the business performance of the Company before the application of statutory income tax rates and tax adjustments, including the affects of tax planning, corresponding to the various jurisdictions in which the Company operates. Adjusted PTC should not be construed as an alternative to income from continuing operations attributable to AES, which is determined in accordance with GAAP.
- **Free Cash Flow** (a non-GAAP financial measure) is defined as net cash from operating activities less maintenance capital expenditures (including non-recoverable 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.
- **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.
- **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.
- **Parent Free Cash Flow** (a non-GAAP financial measure) 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.

Definitions (Continued)

- **Proportional Metrics –** 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.
  The proportional adjustment factor, proportional maintenance capital expenditures (net of reinsurance proceeds), and proportional non-recoverable environmental capital expenditures are calculated by multiplying the percentage owned by non-controlling interests for each entity by its corresponding consolidated cash flow metric and adding up the resulting figures. For example, the Company owns approximately 70% of AES Gener, its subsidiary in Chile. Assuming a consolidated net cash flow from operating activities of $100 from AES Gener, the proportional adjustment factor for AES Gener would equal approximately $30 (or $100 x 30%). The Company calculates the proportional adjustment factor for each consolidated business in this manner and then adds these amounts together to determine the total proportional adjustment factor used in the reconciliation. The proportional adjustment factor may differ from the proportion of income attributable to non-controlling interests as a result of (a) non-cash items which impact income but not cash and (b) AES' ownership interest in the subsidiary where such items occur.
- **Subsidiary Liquidity** (a non-GAAP financial measure) is defined as cash and cash equivalents and bank lines of credit at various subsidiaries.
- **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.