

The AES Corporation
Andrés Gluski, President & CEO

Bernstein Strategic Decisions Conference
June 3, 2016

AES
we are the energy

Safe Harbor Disclosure

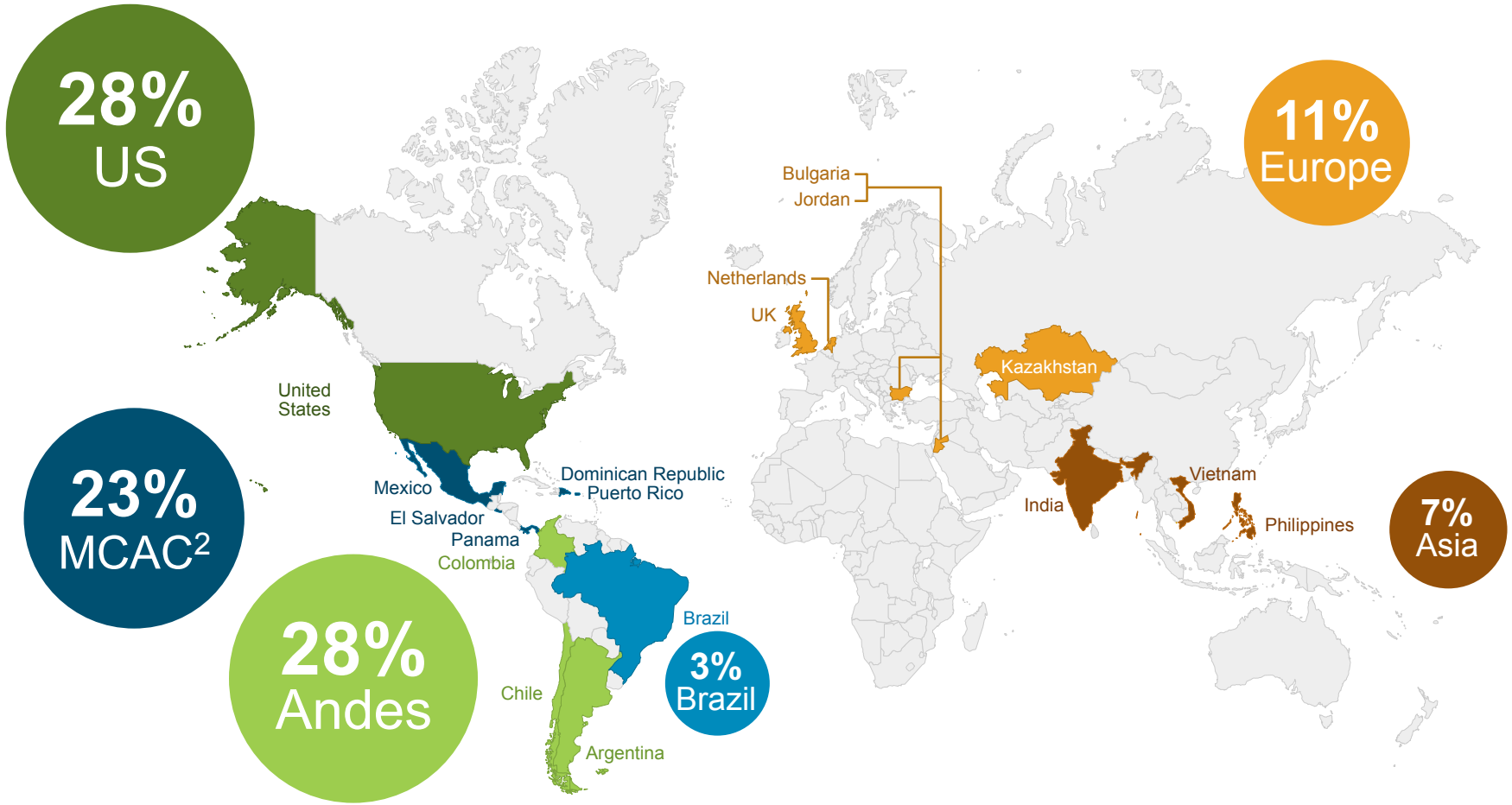
Certain statements in the following presentation regarding AES' business operations may constitute "forward-looking statements." Such forward-looking statements include, but are not limited to, those related to future earnings growth and financial and operating performance. Forward-looking statements 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 28 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' 2015 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.

Overview

- Capitalizing on our advantaged position in key high growth markets
- Reshaping our business mix by adding projects with long-term, U.S. Dollar-denominated contracts
- Strengthening our Balance Sheet by paying down debt
- Expecting double-digit growth in free cash flow and earnings

Business Managed in Six Strategic Business Units (SBUs)

(%) = 2016 Expected Adjusted Pre-Tax Contribution (PTC)[1]



1. A non-GAAP financial measure. See Appendix for definition and reconciliation. 2016 Adjusted PTC of $1.5 billion before Corporate charges of $0.4 billion.
2. Mexico, Central America and the Caribbean.



Disciplined Growth

Pursuing Disciplined Growth Projects



Leveraging our advantaged platforms



Focused on projects with:

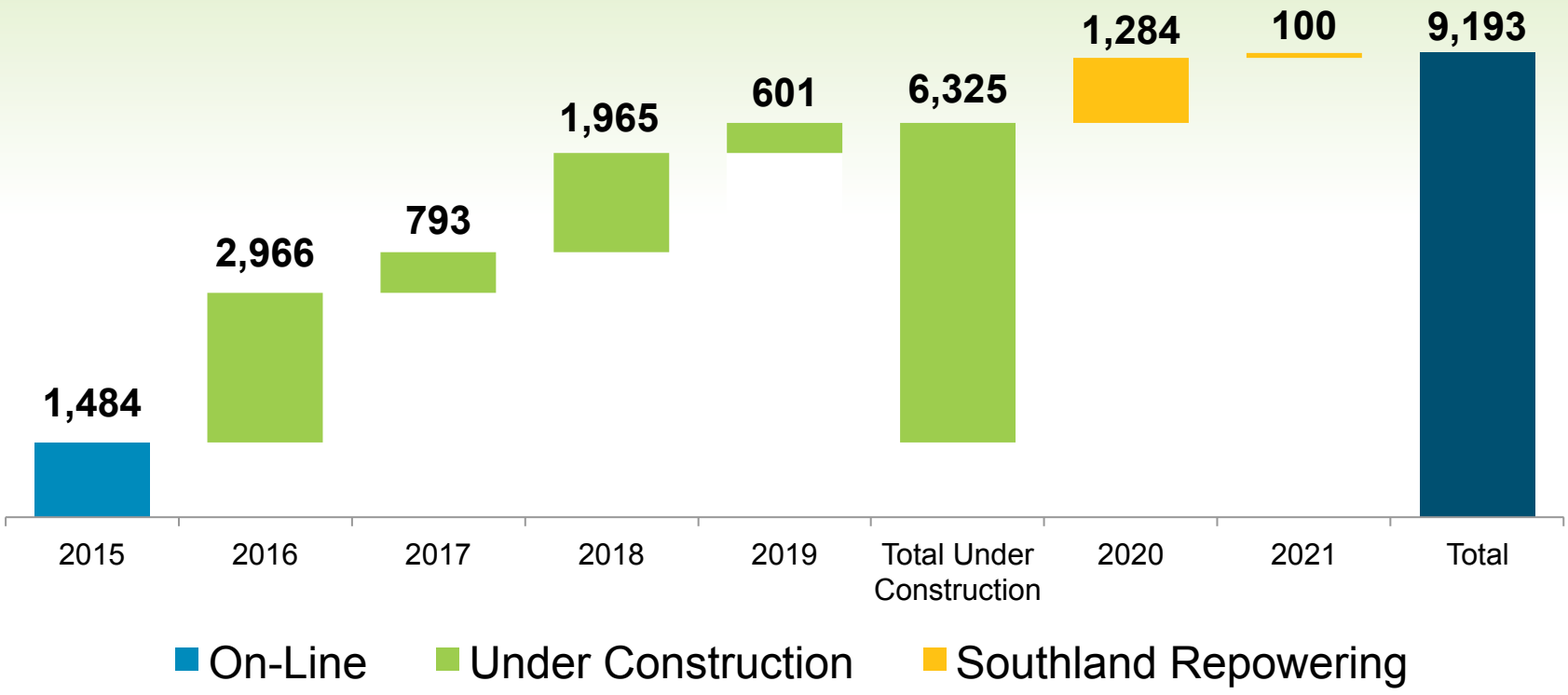
- Long-term contracts
- U.S. Dollar-denominated revenues



Significant opportunity to play a leading role in the broad distribution of LNG in Central America and the Caribbean

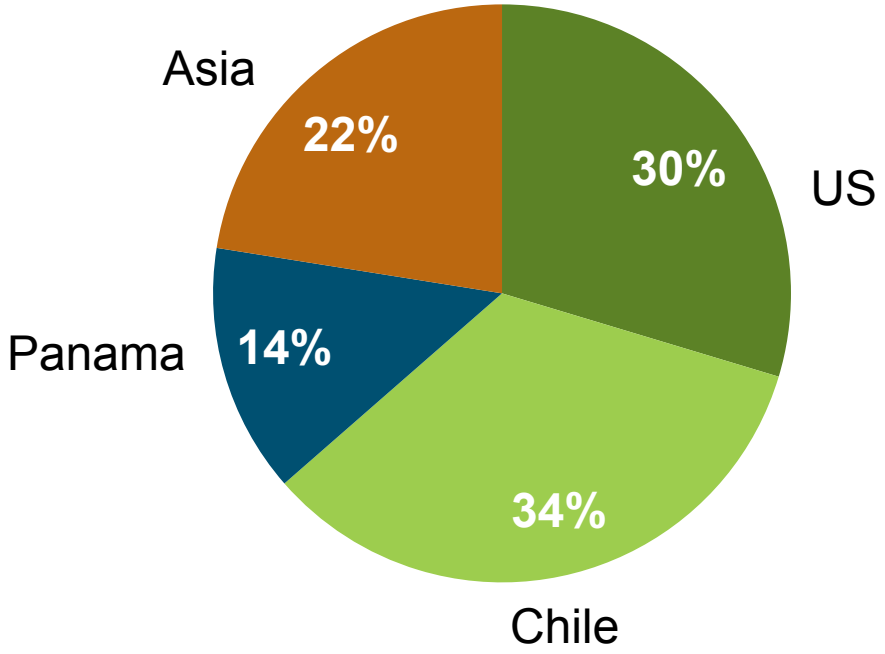
Leveraging Our Platform for Long-Term Growth

2015: Brought On-Line 1,484 MW
2016-2021: 7,709 MW of New Capacity Expected On-Line



Leveraging Our Platforms: $1.5 Billion in Equity for Projects Currently Under Construction Yields ~15% Return[1]

$8.5 Billion Total Cost; AES Equity Commitment of $1.5 Billion, of Which Only $370 Million is Still to be Funded



64% of Required Equity is for Projects at IPL (US) & Gener (Chile)

1. Based on 3-year average contributions from all projects under construction and IPL MATS and wastewater upgrades, once all projects under construction are completed.

Construction Project: Masinloc 2 in the Philippines

335 MW Expansion



- Completion expected in 1H 2019
- Benefits from robust electricity demand growth
- Will be one of the most flexible, efficient and low-cost plants in the Philippines
- $740 million total project cost to be funded with debt capacity and free cash flow generated at Masinloc 1

Construction Project: Colon in Panama

380 MW CCGT and 180,000 m^3 LNG Storage Tank and Regasification Facility



- Panama's first natural gas-fired generation plant
- Power plant contracted under a 10-year, U.S. Dollar-denominated PPA
- Leveraging our experience with our existing LNG facility in the Dominican Republic
- Completion of the CCGT in 2018 and the LNG facility in 2019

- Total project cost of ~$1 billion and AES equity of ~$200 million

Advanced Stage Development Project: Southland Repowering in California

1,384 MW Under 20-Year Power Purchase Agreements



- 1,284 MW of combined cycle natural gas and 100 MW of battery-based energy storage capacity
- Recently signed turbine supply agreements and EPC contracts for the CCGT
- Expect to break ground in 2017, with operations in 2020 and 2021

- Expected total project cost of ~$2 billion and ~$500 million of equity from AES and potentially a partner

World Leader in Battery-Based Energy Storage

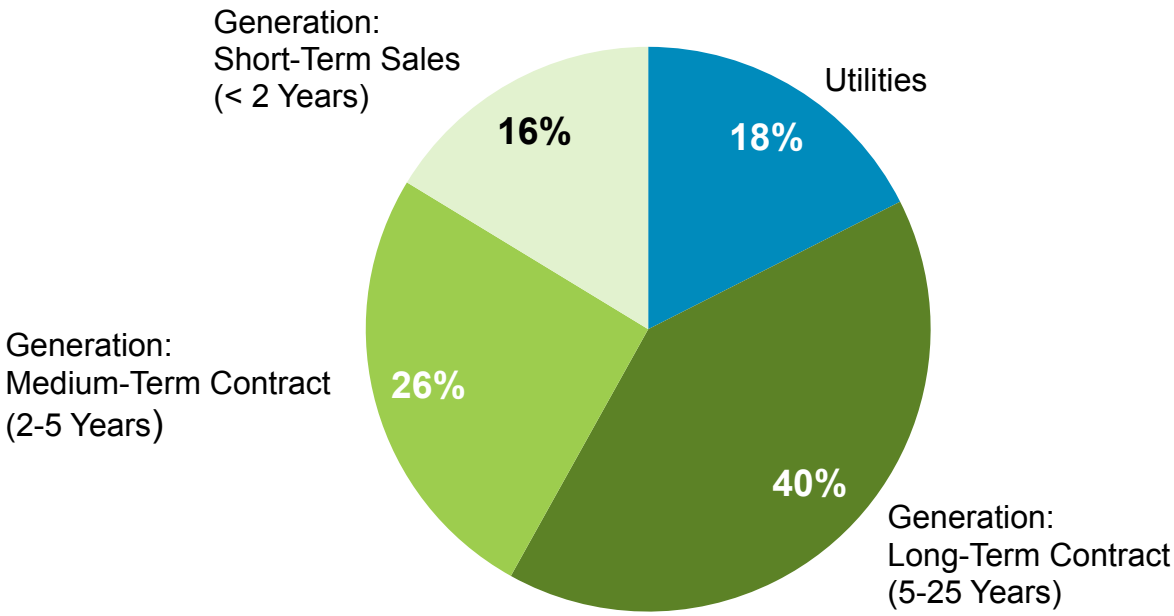
394 MW in Operation, Construction or Late Stage Development



- 116 MW in operation
- 50 MW under construction and coming on-line in 2016
- 228 MW in advanced stage development
- Growth through two paths:
  - AES-owned projects
  - Sales by AES and our channel partners to utilities and other customers

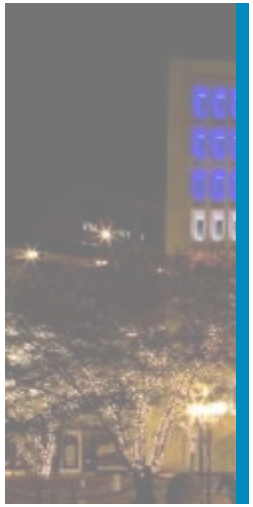
84% of Businesses are Contracted Generation or Utilities

2016 Expected Adjusted PTC[1] by Type of Business and Contract Length



2016: Average Remaining Contract Term is 7 Years[2]; Increases to ~10 Years[2,3] by 2020 as New Projects Come On-Line

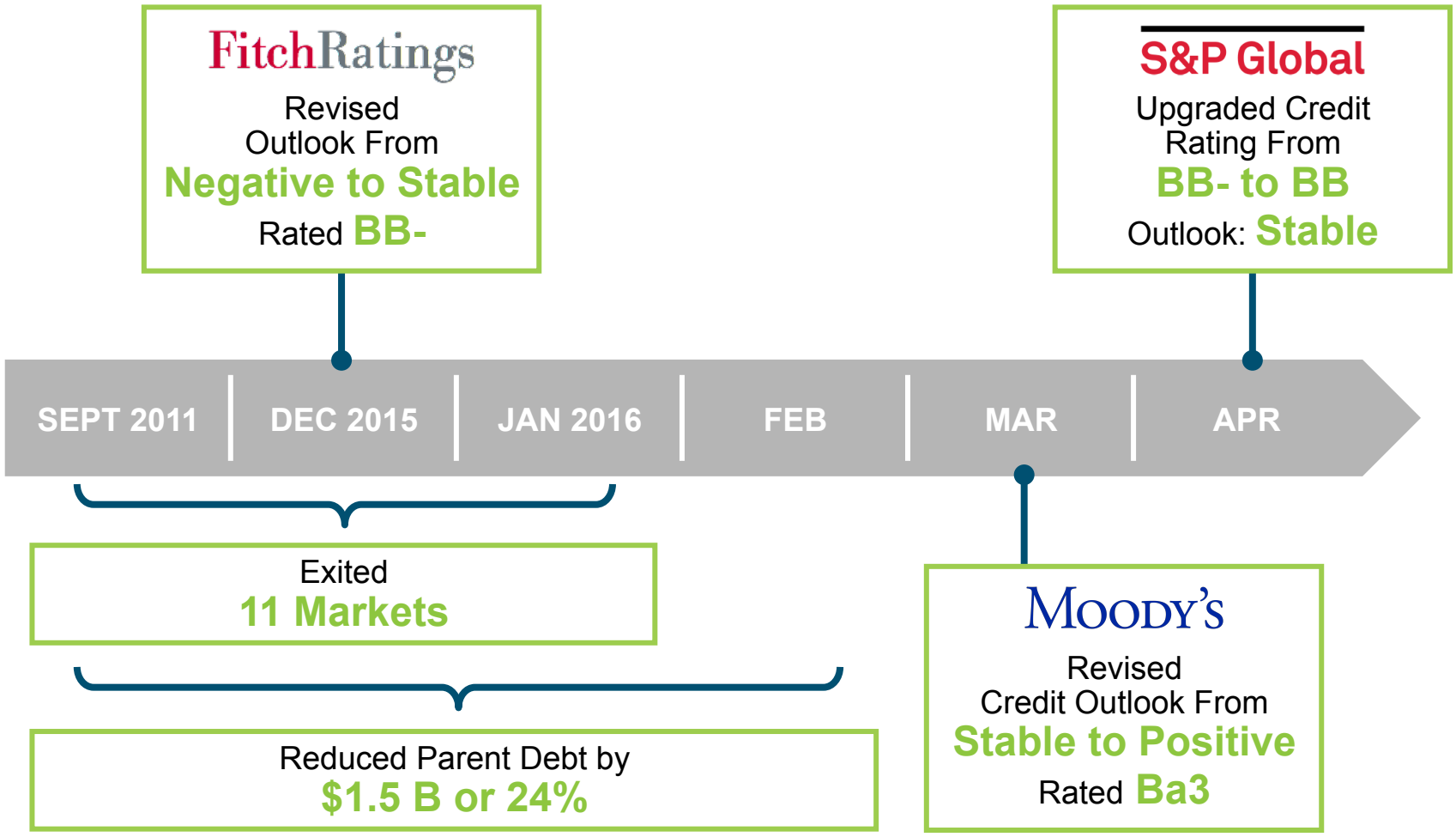
1. A non-GAAP financial measure. See Appendix for definition and reconciliation.
2. Average of medium- and long-term contracts. PPA MW-weighted average is adjusted for AES' ownership stake.
3. Includes projects currently under construction and coming on-line before 2020, as well as the Southland re-powering project.





De-Risking Our Portfolio & De-Levering Our Balance Sheet

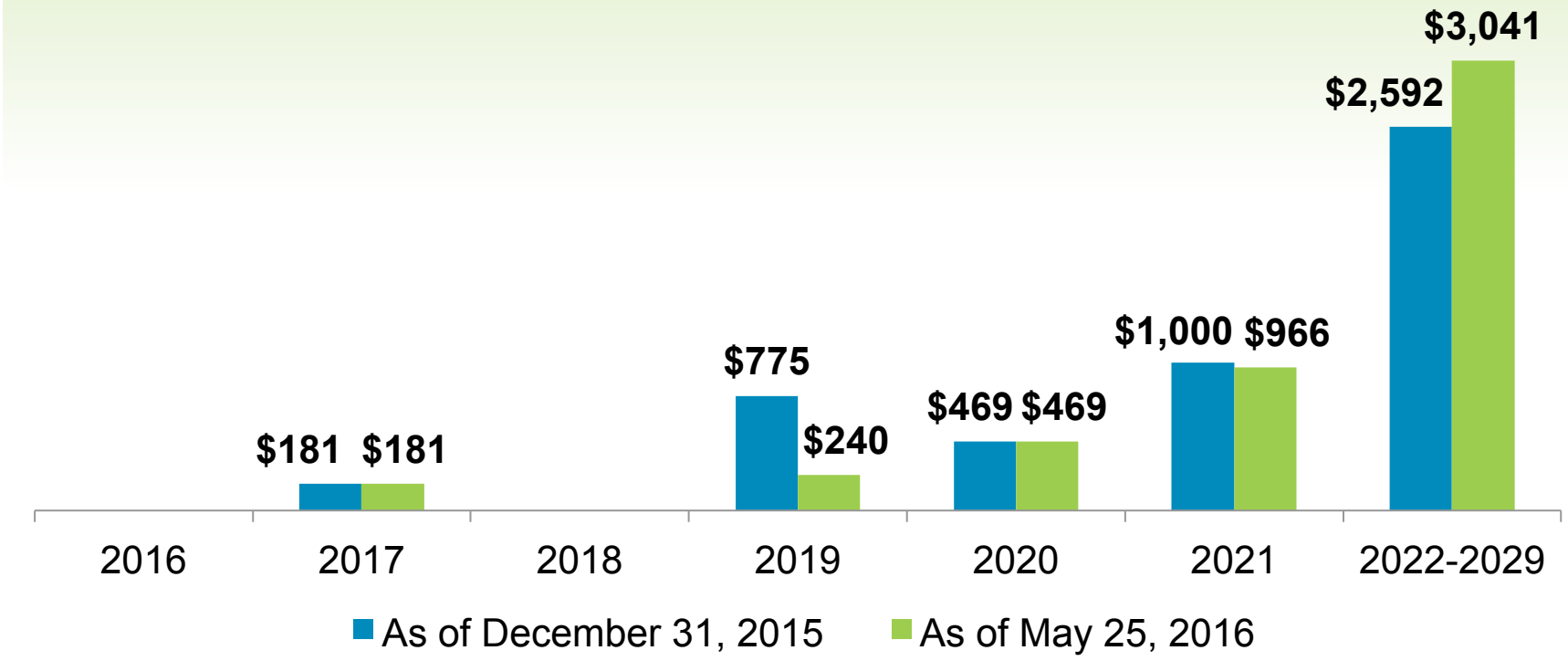
De-Risking and De-Levering: On Track to Achieve Strong BB Credit Stats by 2018



Reduced Parent Debt Maturities by $535 Million through 2019

$ in Millions

In 2016, Prepaid $125 and Refinanced $495 of 2019 Maturities with Longer-Term Debt

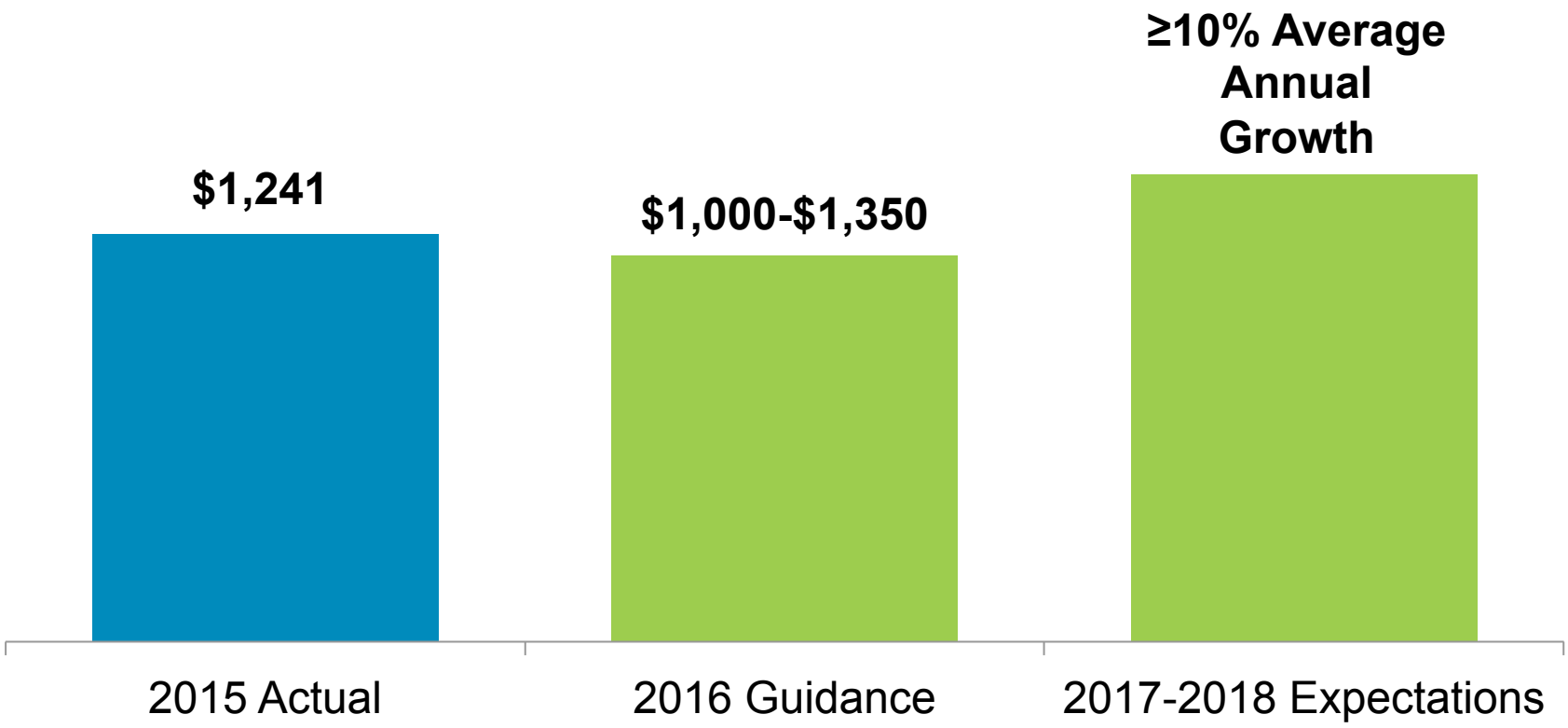




Guidance & Expectations

Proportional Free Cash Flow[1]

$ in Millions



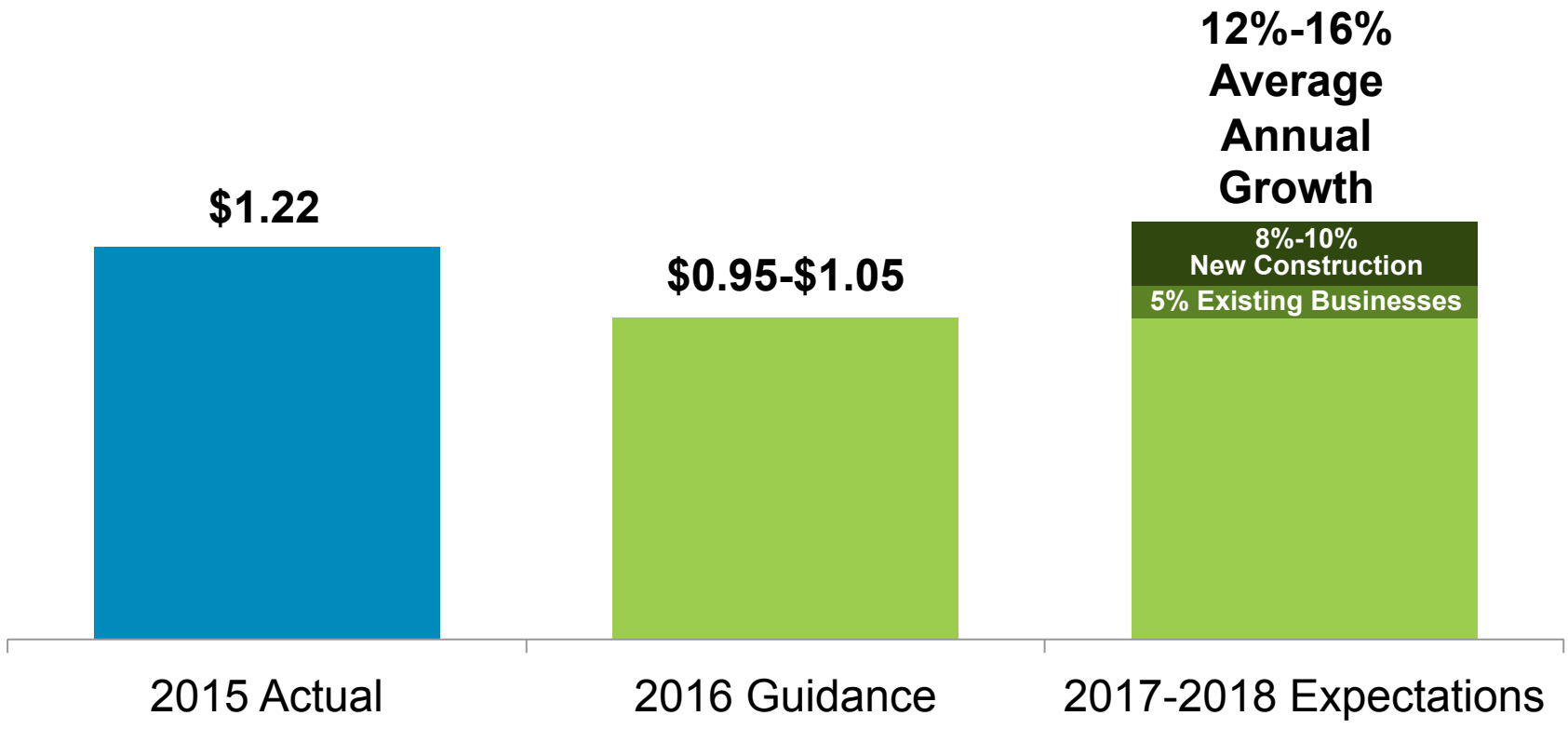
Free Cash Flow Yield Expected to Grow from 16% in 2016 to 19% in 2018[2]

Note: Guidance as of May 9, 2016.

1. A non-GAAP financial measure. See Appendix for definition.
2. Based on AES' share price of $11.09 on May 31, 2016.

Adjusted EPS[1] Growth Drivers

$ in Millions



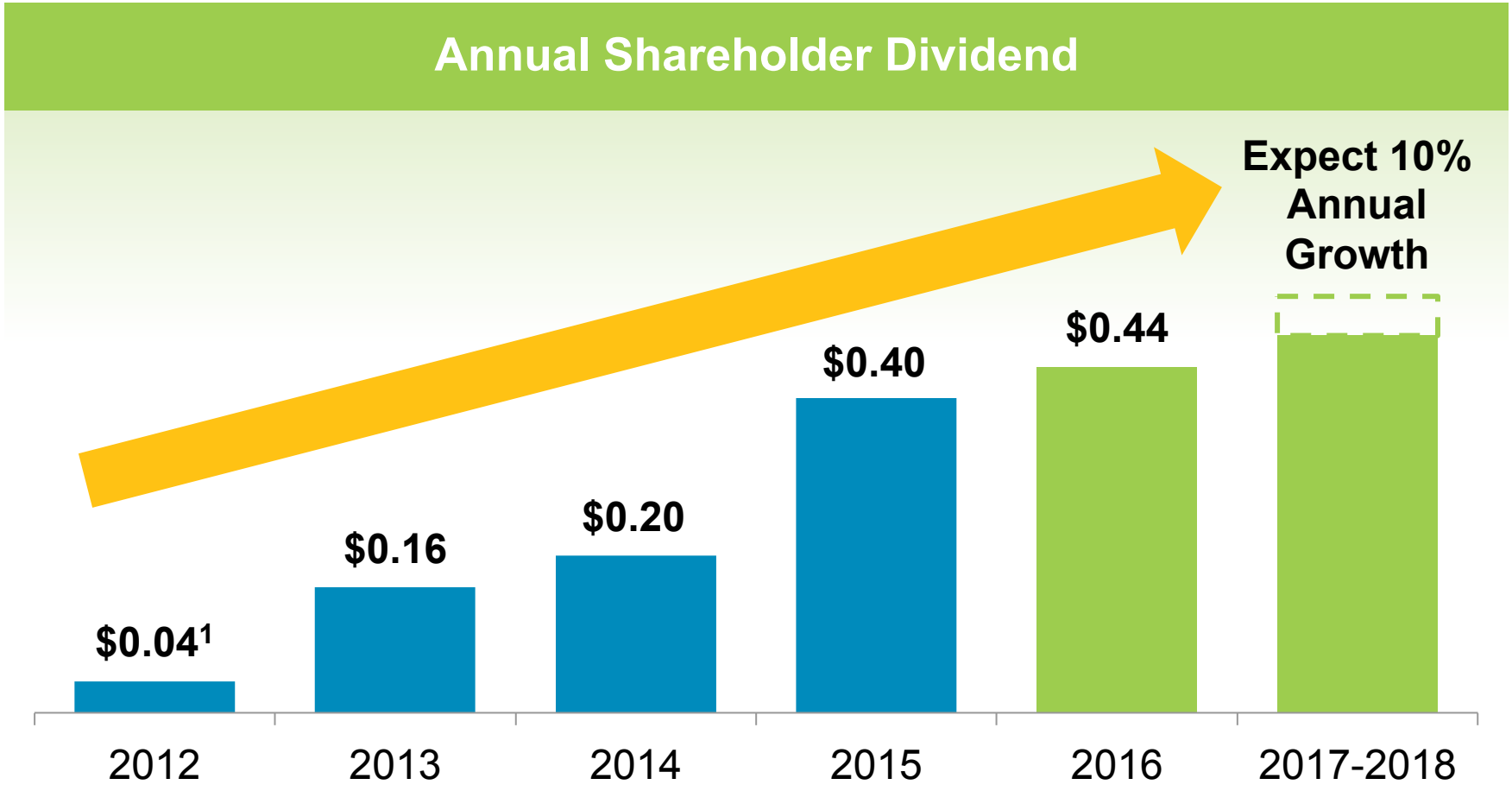
2017-2018: Expect High End of 12%-16% Average Annual Growth Range

Note: Guidance as of May 9, 2016.

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

Strong and Growing Free Cash Flow Supports Attractive Dividend Growth

$ in Millions



Note: Guidance as of May 9, 2016.

1. Initiated quarterly dividend in the fourth quarter of 2012.

Conclusion

- De-risking our portfolio and de-levering our Balance Sheet
- Stable cash flow from existing portfolio of mostly contracted generation and utility businesses
- Extending growth beyond 2018 by capitalizing on platform expansion opportunities
- Expecting double-digit growth in earnings and free cash flow as construction projects come on-line

Appendix

- Currencies & Commodities — Slides 23-25
- Construction Program — Slide 26
- Reconciliation — Slide 27
- Assumptions & Definitions — Slides 28-30

Balance of Year 2016 Guidance Estimated Sensitivities

Interest Rates[1]

- 100 bps move in interest rates over year-to-go 2016 is equal to a change in EPS of approximately $0.020
- 10% appreciation in USD against the following key currencies is equal to the following negative EPS impacts:

Currencies

	Balance of Year 2016	
	Average Rate	Sensitivity
Argentine Peso (ARS)	15.43	$0.005
Brazilian Real (BRL)	3.56	Less than $0.005
Colombian Peso (COP)	2,911	$0.005
Euro (EUR)	1.15	Less than $0.005
Great British Pound (GBP)	1.46	Less than $0.005
Kazakhstan Tenge (KZT)	341.1	Less than $0.005

Commodity Sensitivity

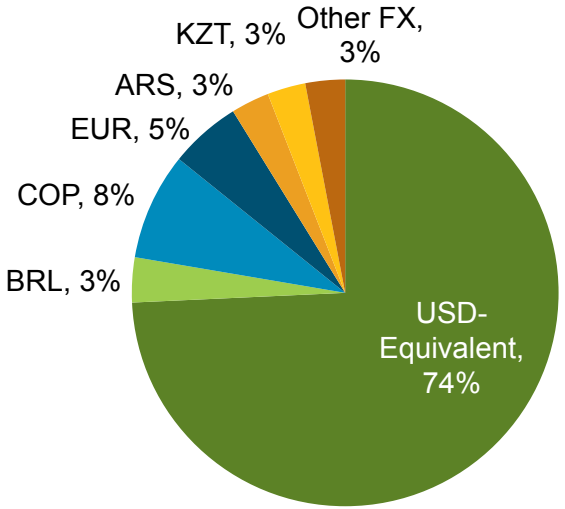
10% increase in commodity prices is forecasted to have the following EPS impacts:	Balance of Year 2016	
	Average Rate	Sensitivity
NYMEX Coal	$45/ton	$0.010, negative correlation
Rotterdam Coal (API 2)	$47/ton	
NYMEX WTI Crude Oil	$47/bbl	$0.005, positive correlation
IPE Brent Crude Oil	$48/bbl	
NYMEX Henry Hub Natural Gas	$2.5/mmbtu	Less than $0.005, positive correlation
UK National Balancing Point Natural Gas	£0.31/therm	
US Power (DPL) – PJM AD Hub	$ 30/MWh	$0.015, positive correlation

Note: Guidance provided on May 9, 2016. 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 the year-to-go 2016 Adjusted EPS. Actual results may differ from the sensitivities provided due to execution of risk management strategies, local market dynamics and operational factors. Full year 2016 guidance is based on currency and commodity forward curves and forecasts as of April 30, 2016. 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, and power indices; forward curves are provided for representative liquid markets. Sensitivities are rounded to the nearest ½ cent per share.

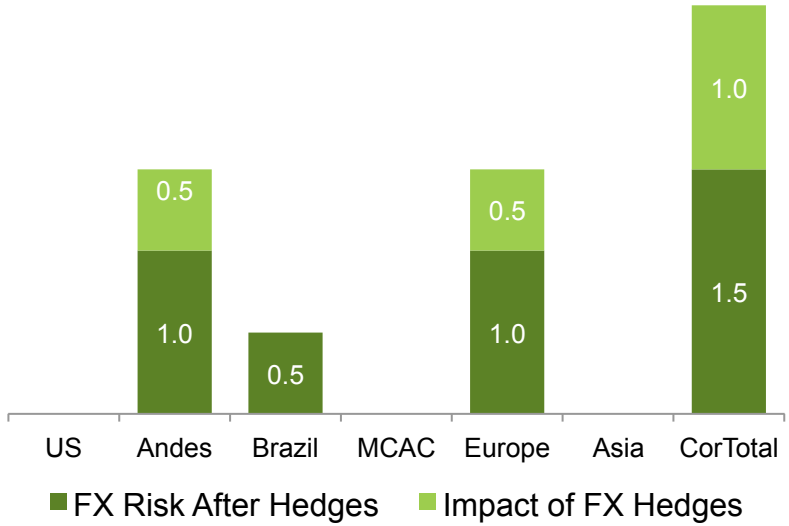
1. The move is applied to the floating interest rate portfolio balances as of April 30, 2016.

2016 Foreign Exchange (FX) Risk Mitigated Through Structuring of Our Businesses and Active Hedging

2016 Full Year FX Sensitivity[2,3] by SBU (Cents Per Share)



2016 Full Year FX Sensitivity[2,3] by SBU (Cents Per Share)

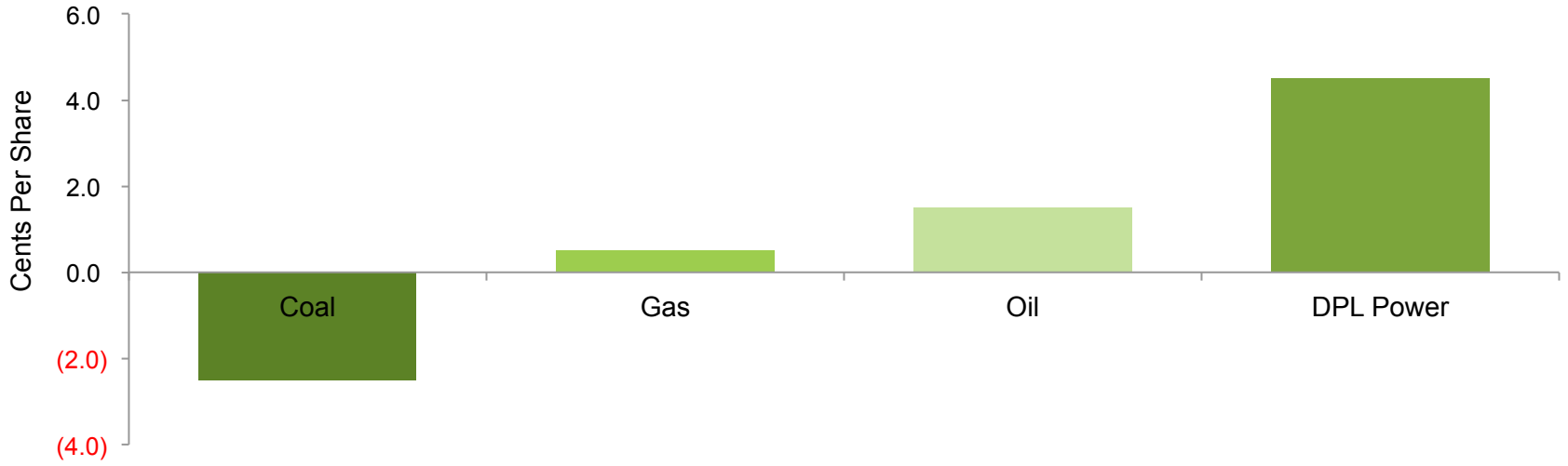


- 2016 correlated FX risk after hedges is $0.015 for 10% USD appreciation
- 74% of 2016 earnings effectively USD
  - USD-based economies (i.e. U.S., Panama)
  - Structuring of our contracts
- FX risk mitigated on a rolling basis by shorter-term active FX hedging programs

1. Before Corporate Charges. A non-GAAP financial measure. See "definitions" and Slide 27 for reconciliation.
2. Sensitivity represents full year 2016 exposure to a 10% appreciation of USD relative to foreign currency as of December 31, 2015.
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 2016, Long on US Power and Oil in Medium- to Long-Term

Full Year 2018 Adjusted EPS[1] Commodity Sensitivity[2] for 10% Change in Commodity Prices



- Mostly hedged through 2016, 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, oil and power price movements.

Attractive Returns from 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 2016-2018									
Andes Solar	Chile	67%	Solar	21	1H 2016	$44	$29		
Tunjita	Colombia	67%	Hydro	20	1H 2016	$67	$2[1]		Lease capital structure at Chivor
IPL MATS	US-IN	70%	Coal		1H 2016	$454	$143		Environmental (MATS) upgrades of 1,713 MW
Harding Street Units 5-7	US-IN	70%	Gas	630	1H 2016	$143	$45		
Cochrane	Chile	40%	Coal	532	2H 2016	$1,365	$142		
Eagle Valley CCGT	US-IN	70%	Gas	671	1H 2017	$590	$186		
DPP Conversion	Dominican Republic	90%	Gas	122	1H 2017	$260	$0		
IPL Wastewater	US-IN	70%	Gas		2H 2017	$224	$71		Environmental (NPDES) upgrades of 1,864 MW
OPGC 2	India	49%	Coal	1,320	1H 2018	$1,585	$227		
Colon	Panama	50%	Gas	380	1H 2018	$950	$209		Regasification and LNG storage tank expected on-line in 2019
Alto Maipo	Chile	40%	Hydro	531	2H 2018/ 1H 2019	$2,053	$335		
Masinloc 2	Philippines	51%	Coal	335	1H 2019	$740	$110		
ROE[2]								**~15%**	**Weighted average; net income divided by AES equity contribution**
CASH YIELD[2]								**~15%**	**Weighted average; subsidiary distributions divided by AES equity contribution**

1. AES equity contribution equal to 67% of AES Gener's equity contribution to the project.
2. Based on projections. See our 2015 Form 10-K for further discussion of development and construction risks. Based on 3-year average contributions from all projects under construction and IPL MATS and wastewater upgrades, once all projects under construction are completed.

Reconciliation of 2016 Guidance

$ in Millions, Except Per Share Amounts

2016 Guidance	
Proportional Free Cash Flow[1]	$1,000-$1,350
Consolidated Net Cash Provided by Operating Activities	$2,000-$2,900
Adjusted EPS[1]	$0.95-$1.05

Reconciliation	Consolidated	Adjustment Factor	Proportional
Consolidated Net Cash Provided by Operating Activities (a)	$2,000-$2,900	$500-$1,050	$1,500-$1,850
Maintenance & Environmental Capital Expenditures (b)	$600-$800	$200	$400-$600
Free Cash Flow[1] (a - b)	$1,300-$2,200	$300-$850	$1,000-$1,350

- Commodity and foreign currency exchange rates and forward curves as of April 30, 2016

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 Key Performance Indicators (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 Free Cash Flow** – The Company defines Proportional Free Cash Flow as cash flows from operating activities (adjusted for service concession asset capital expenditures), less maintenance capital expenditures (including non-recoverable environmental capital expenditures and net of reinsurance proceeds), adjusted for the estimated impact of noncontrolling interests. The proportionate share of cash flows and related adjustments attributable to noncontrolling interests in our subsidiaries comprise the proportional adjustment factor. Upon the Company's adoption of the accounting guidance for service concession arrangements effective January 1, 2015, capital expenditures related to service concession assets that would have been classified as investing activities on the Condensed Consolidated Statement of Cash Flows are now classified as operating activities.
  The Company excludes environmental capital expenditures that are expected to be recovered through regulatory, contractual or other mechanisms. An example of recoverable environmental capital expenditures is IPL's investment in MATS-related environmental upgrades that are recovered through a tracker.
  The GAAP measure most comparable to proportional free cash flow is cash flows from operating activities. We believe that proportional free cash flow better reflects the underlying business performance of the Company, as it measures the cash generated by the business, after the funding of maintenance capital expenditures, that may be available for investing or repaying debt or other purposes. Factors in this determination include the impact of noncontrolling interests, where AES consolidates the results of a subsidiary that is not wholly owned by the Company.
- **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. Beginning in Q1 2015, the definition was revised to also exclude cash flows related to service concession assets.
  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 noncontrolling interests for each entity by its corresponding consolidated cash flow metric and are totaled to the resulting figures. For example, Parent Company A owns 20% of Subsidiary Company B, a consolidated subsidiary. Thus, Subsidiary Company B has an 80% noncontrolling interest. Assuming a consolidated net cash flow from operating activities of $100 from Subsidiary B, the proportional adjustment factor for Subsidiary B would equal $80 (or $100 x 80%). The Company calculates the proportional adjustment factor for each consolidated business in this manner and then sums these amounts to determine the total proportional adjustment factor used in the reconciliation. The proportional adjustment factor may differ from the proportion of income attributable to noncontrolling 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.