

The AES Corporation
First Quarter 2017 Financial Review

May 8, 2017

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 58 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' 2016 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.

Reconciliation to U.S. GAAP Financial Information

The following presentation includes certain "non-GAAP financial measures" as defined in Regulation G under the Securities Exchange Act of 1934, as amended. Schedules are included herein that reconcile the non-GAAP financial measures included in the following presentation to the most directly comparable financial measures calculated and presented in accordance with U.S. GAAP.

Q1 2017 Financial Review Call

- Advanced our construction program, which will be the major contributor to our cash flow and earnings growth over the next four years
- Capitalized on our existing platform to further enhance future growth by targeting long-term, U.S. Dollar-denominated contracts
- Taken steps to lessen our carbon intensity and merchant exposure to reduce operational and financial risk
- Continued our efforts to strengthen our credit profile by prepaying $300 million of Parent debt
  - Increases Parent Free Cash Flow[1] by lowering interest expense.
- On track to achieve our $400 million cost reduction and revenue enhancement program

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

Q1 2017 Financial Results

$ in Millions, Except Per Share Amounts

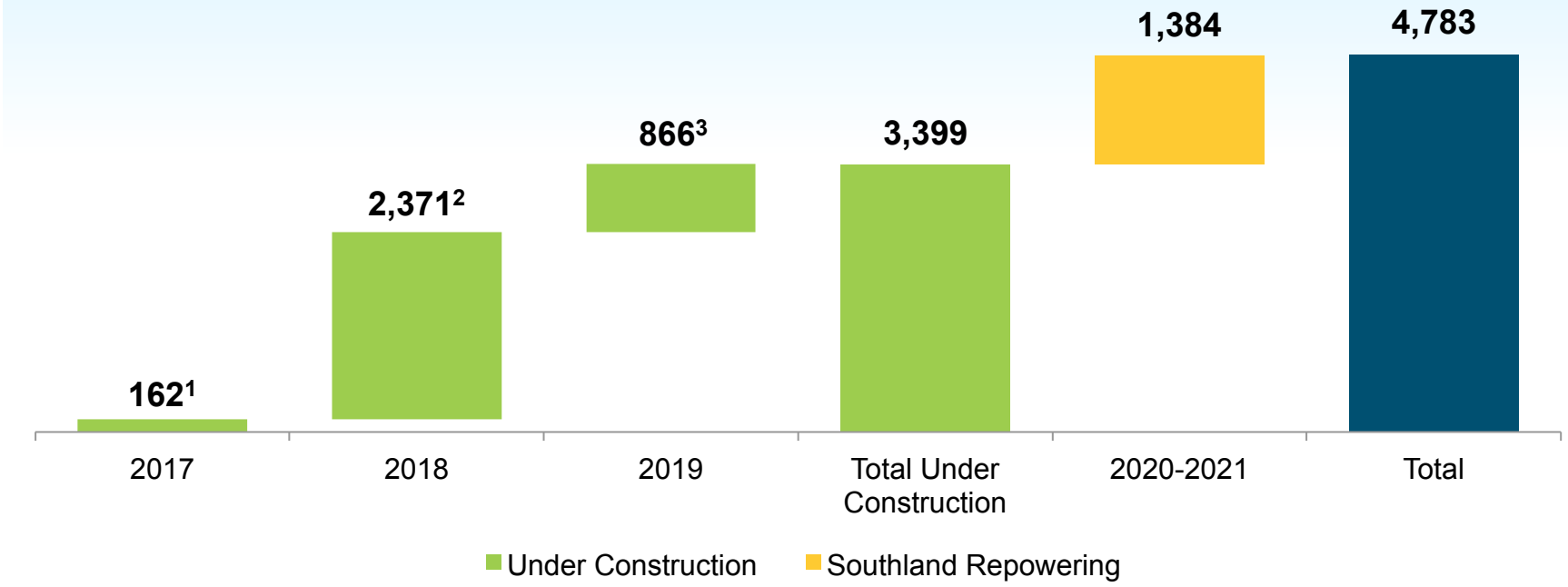
	Q1 2017	Q1 2016	FY 2017 Guidance	% of 2017 Guidance Midpoint
Adjusted EPS[1]	$0.17	$0.15	$1.00-$1.10	16%
Consolidated Net Cash Provided by Operating Activities	$703	$640	$2,000-$2,800	29%
Consolidated Free Cash Flow[1]	$546	$490	$1,400-$2,000	32%

- Reaffirming 2017 guidance and average annual growth rate of 8%-10% through 2020 in all metrics, including:
  - Adjusted EPS[1]
  - Consolidated Free Cash Flow[1]
  - Parent Free Cash Flow[1]
  - Dividend

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

On Track to Complete Projects Under Construction

3,399 MW Expected to Come On-Line Through 2019



1. Includes: 122 MW DPP Conversion (Dominican Republic), 20 MW Dominican Energy Storage (Dominican Republic) and 20 MW Distributed Energy (US).
2. Includes: 1,320 MW OPGC 2 (India), 671 MW Eagle Valley CCGT (US) and 380 MW Colón (Panama).
3. Includes: 531 Alto Maipo (Chile) and 335 MW Masinloc 2 (Philippines).

Alto Maipo in Chile

531 MW Hydro, COD[1]: 1H 2019



- Cost overruns resulting from tunneling challenges reaffirmed by independent engineer in the range of 10%-20%
- Secured financing commitments for up to 22% of the project cost ($460 million, including contingency)
  - $117 million funded by AES Gener
  - $343 million funded by project lenders, main contractor and minority partner
- Project ~52% complete – in line with our expectations

1. Commercial Operations Date.

Eagle Valley in Indiana

671 MW CCGT, COD[1]: 1H 2018



- EPC contractor subcontracting some work to accelerate recovery plan
  - Projecting substantial completion before year-end 2017
- Achieved several significant EPC milestones and expect first fire to occur by Q3 2017

1. Commercial Operations Date.

OPGC 2 in India

1,320 MW Coal, COD[1]: 2H 2018



- Making progress on construction of the main complex and mine development

1. Commercial Operations Date.

Colón in Panama

380 MW CCGT & 180,000 m^3 LNG Tank and Regasification Facility, COD[1]: 1H 2018 (CCGT) and 2019 (LNG)



- 10-year, U.S. Dollar-denominated PPA
- One-quarter of LNG tank to be used for CCGT, leaving up to 60 TBTU annual capacity available for third party sales
- Signed JV with ENGIE to market and sell excess LNG capacity to downstream customers in Central America and the Caribbean

1. Commercial Operations Date.

World Leader in Battery-Based Energy Storage

394 MW in Operation, Construction or Late Stage Development; 82 MW of Third Party Sales

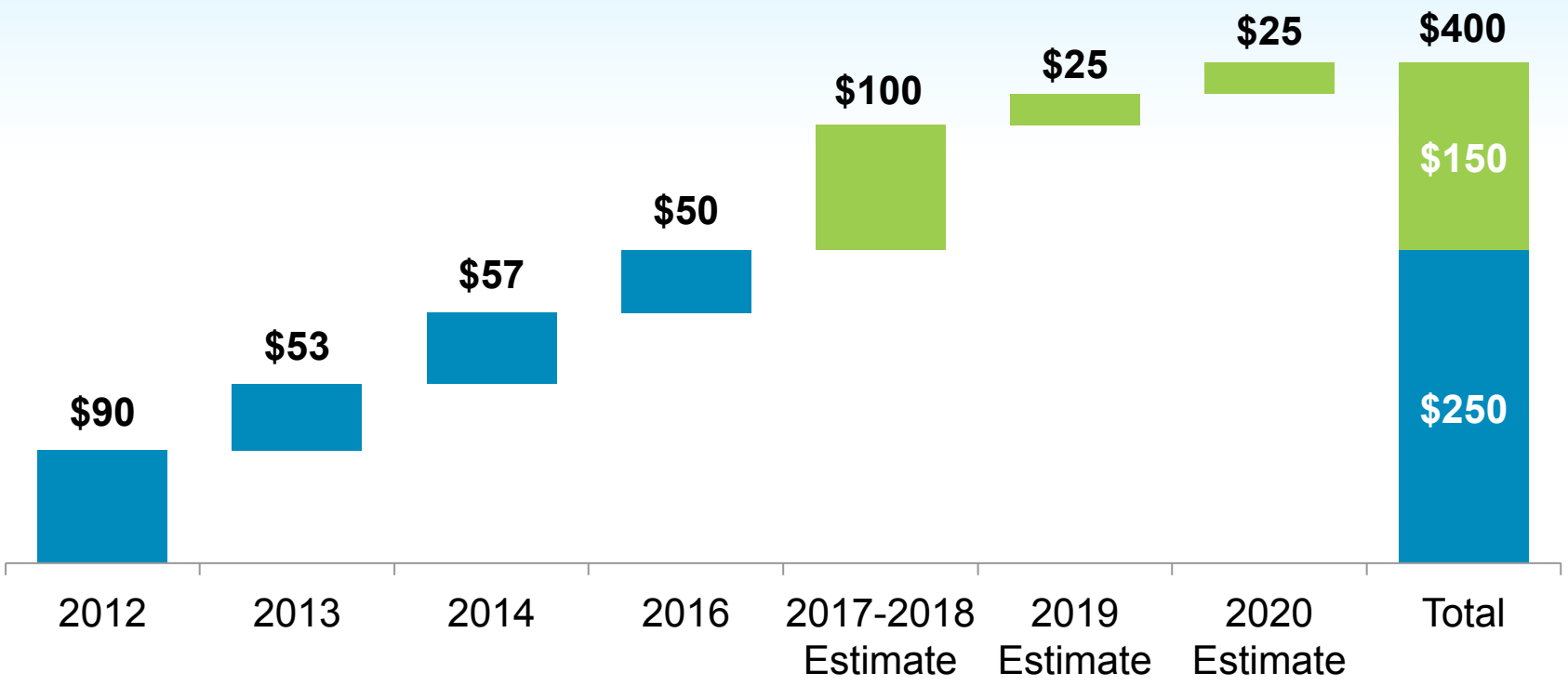


- Operation, construction or late stage development
  - 166 MW in operation
  - 20 MW under construction and coming on-line in 2017
  - 208 MW in advanced stage development
- Third party sales
  - Delivered largest battery installation of 37.5 MW, four-hour duration, to SDG&E
  - Awarded an additional 40 MW project by SDG&E

Performance Excellence[1]

$ in Millions

On Track to Achieve $400 Run Rate through 2020



1. Cost reductions reflected in General and Administrative Expense (G&A), as well as Cost of Sales. Some of the previously reported 2012 and 2013 G&A Expense related to administrative costs at our SBUs has been reclassified to Cost of Sales.

Reshaping Our Portfolio to Reduce Risk

- Exiting 3.7 GW of merchant coal-fired generation in Kazakhstan and Ohio
  - 26% of coal-fired capacity
  - 70% of merchant coal-fired exposure
  - Selling 2.4 GW for $74 million and shutting down 1.3 GW
- Only remaining assets in Kazakhstan are two plants with 1 GW of hydro capacity under a concession that expires in Q4 2017; expect to exit Kazakhstan following expiration

Southland Repowering in California

1,384 MW Gas and Energy Storage, COD[1]: 2020 (Gas) and 2021 (Energy Storage)



- 20-year PPAs with Southern California Edison
- In April, received final environmental approvals
- On track for financial close and to begin construction by mid-2017
- $2.3 billion total project cost
  - AES equity of ~$400 million

1. Commercial Operations Date.

sPower Acquisition Expected to Close by Third Quarter 2017

1,274 MW[1] Solar and Wind Portfolio; 10,000 MW[1] Renewable Development Pipeline



- 1,274 MW have 21-year contracts with A-rated, large utilities and end-users in U.S.
- Team of 90 professionals with extensive development, construction and operating experience
- Partnering with AIMCo, a $95 billion Canadian pension fund, as our 50% partner
- Funding our $382 million share of equity largely from cash on hand from the sale of Sul (Brazil)

1. MW stated in DC.

Renewables in Mexico and Brazil

Well-Positioned to Capitalize on Attractive Opportunities in Mexico

- JV with Grupo Bal, one of the largest industrial groups in Mexico
- Market reforms promote bilateral contracts and significant growth potential
- In exclusive discussions to sign 25-year, U.S. Dollar-denominated contracts for 366 MW

Tietê Signed Previously Announced Wind Acquisition

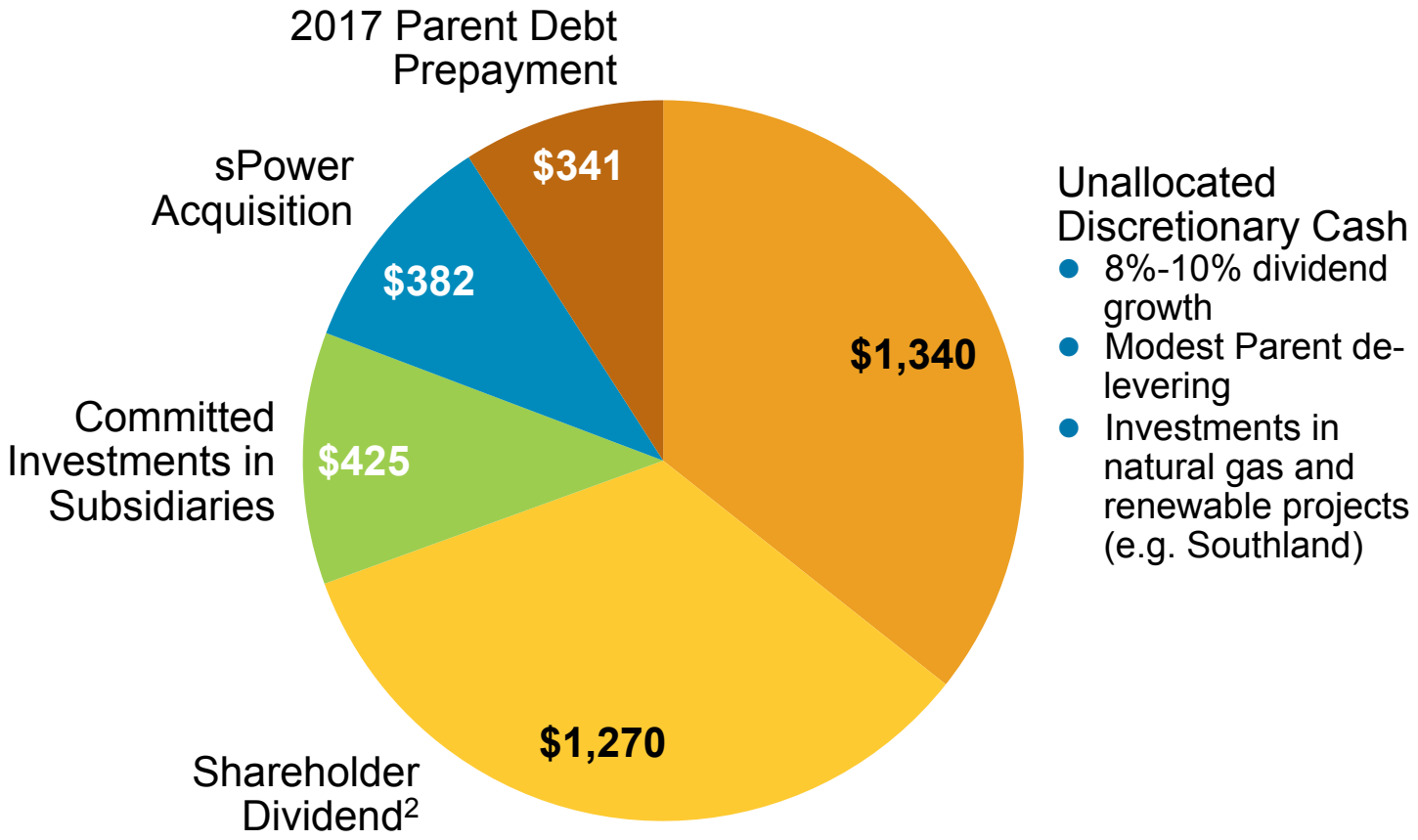
- 386 MW Alto de Sertão II project
- Located in State of Bahia
- Average remaining contract life of 18 years
- Will diversify Tietê's generation mix from 100% hydro and contribute stable cash flows
- R$600 million transaction enables Tietê to capitalize on its debt capacity

Expect 8%-10% Average Annual Growth in Earnings and Cash Flow Through 2020

- Growth driven by:
  - Completion of projects under construction
  - Cost savings and revenue enhancement initiative
  - Lower interest expense as we continue to de-lever
  - Attractive returns from recent acquisitions and development pipeline

Allocating $3.8 Billion[1] Discretionary Cash Through 2020 to Maximize Risk-Adjusted Returns

2017-2020; $ in Millions



Note: Guidance as of May 8, 2017.

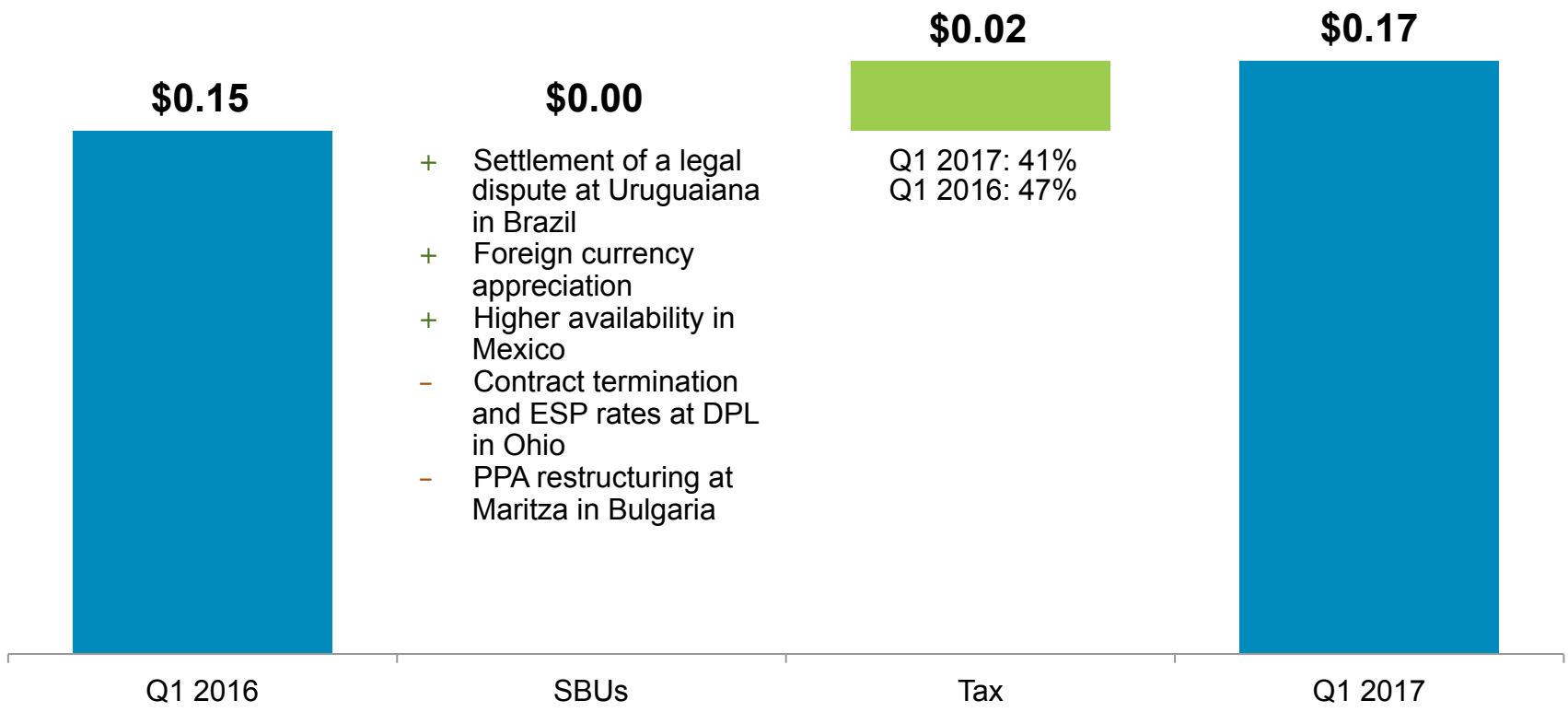
1. Includes: $100 million beginning cash; $800 million asset sale proceeds; and Parent Free Cash Flow of $2,900 million, which is based on the mid-point of 2017 guidance of $625 million, growing at the mid-point of our 8%-10% average annual growth rate through 2020.
2. Assumes constant payment of $0.12 per share each quarter on 662 million shares outstanding.

Q1 2017 Financial Review

- Q1 2017 results
  - Adjusted EPS[1]
  - Consolidated Free Cash Flow[1] and Adjusted PTC[1] by Strategic Business Unit (SBU)
- 2017 Parent capital allocation plan
- 2017 Guidance and 2018-2020 expectations

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

Q1 2017 Adjusted EPS[1] Increased $0.02



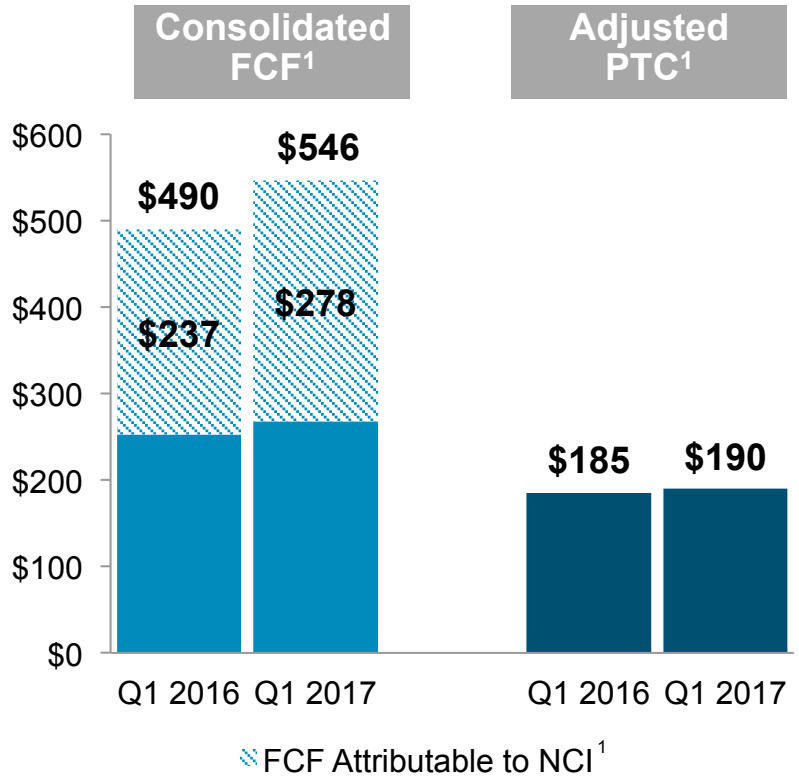
1. A non-GAAP financial measure. See Appendix for definition and reconciliation to the nearest GAAP measure.

Q1 Financial Results

$ in Millions

Consolidated FCF[1] Increased $56; Adjusted PTC[1] Increased $5

- Margins improved primarily in MCAC, Brazil and Andes
- Higher Adjusted PTC[1] also reflects the successful settlement of a legal dispute in Brazil, partially offset by a gain on a contract termination in the US in 2016
- Higher Consolidated FCF[1] also reflects lower working capital requirements in Andes and MCAC



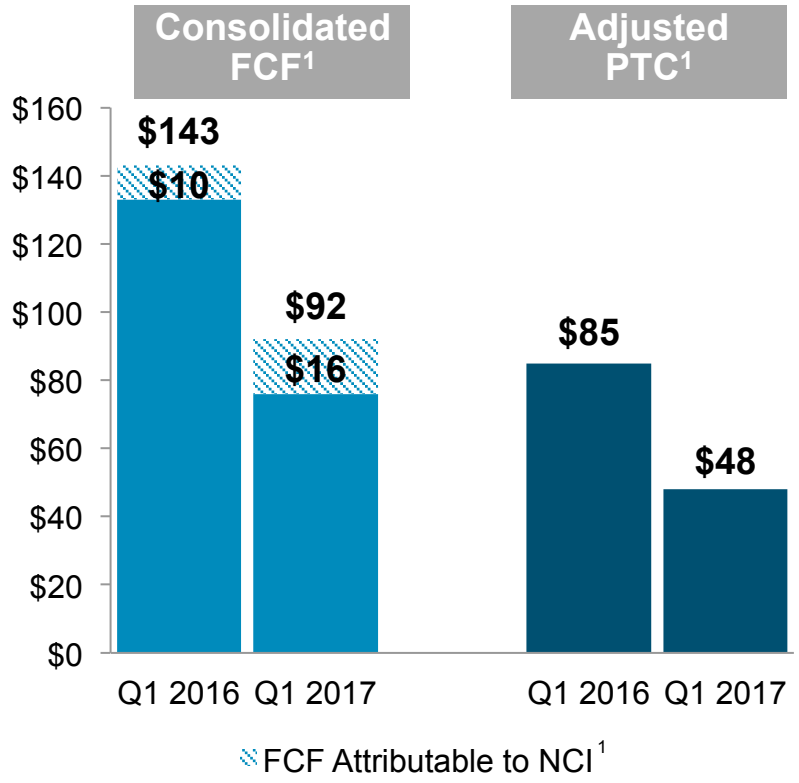
1. A non-GAAP financial measure. See Appendix for definition and reconciliation to the nearest GAAP measure.

Q1 Financial Results: US SBU

$ in Millions

Consolidated FCF[1] Decreased $51; Adjusted PTC[1] Decreased $37

- Margins declined due to the impact from a major planned outage in Hawaii and reversion to prior ESP rates at DPL
- Adjusted PTC[1] also decreased as a result of a gain on a contract termination in 2016, related to DPL's competitive retail business
- Lower Consolidated FCF[1] also reflects higher purchased power and fuel costs at DPL



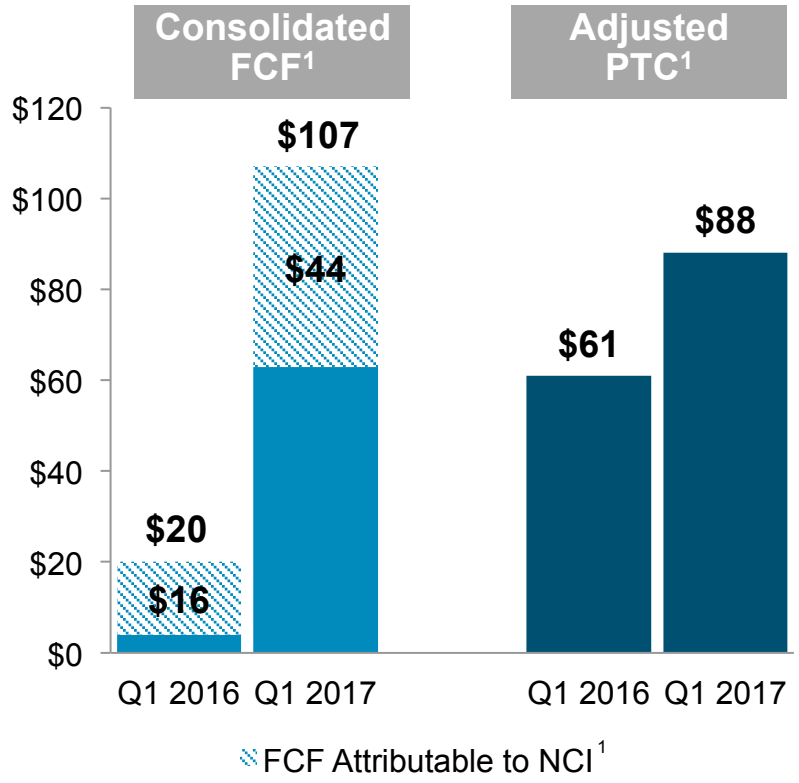
1. A non-GAAP financial measure. See Appendix for definition and reconciliation to the nearest GAAP measure.

Q1 Financial Results: Andes SBU

$ in Millions

Consolidated FCF[1] Increased $87; Adjusted PTC[1] Increased $27

- Margins improved due to higher reservoir levels and generation in Colombia
- Higher Adjusted PTC[1] also reflects foreign currency impact on receivables and debt prepayments
- Higher Consolidated FCF[1] also reflects lower income and withholding tax payments at Gener



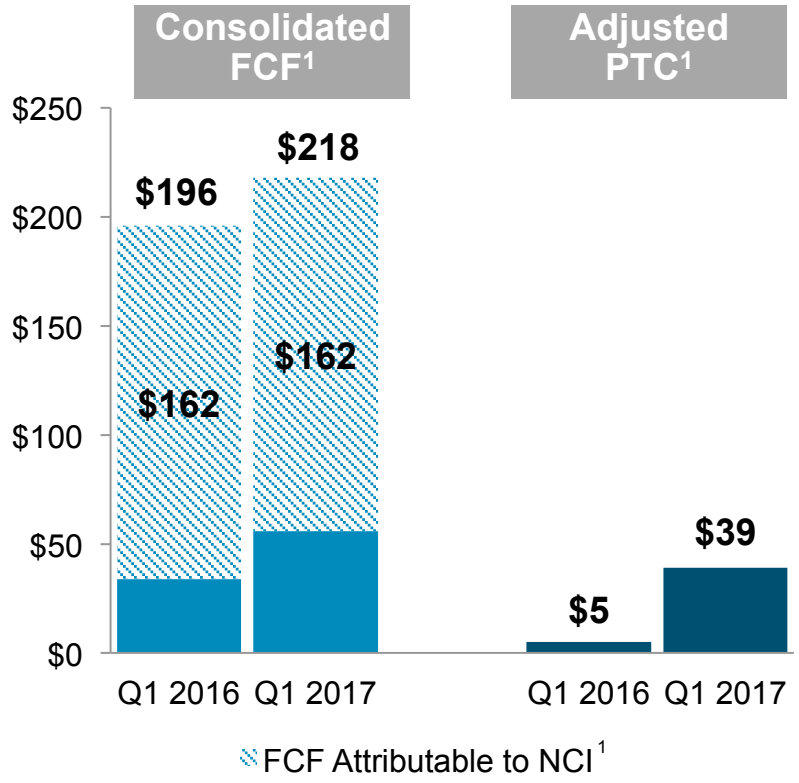
1. A non-GAAP financial measure. See Appendix for definition and reconciliation to the nearest GAAP measure.

Q1 Financial Results: Brazil SBU

$ in Millions

Consolidated FCF[1] Increased $22; Adjusted PTC[1] Increased $34

- Margins improved primarily due to higher spot sales at Tietê and the 24% appreciation of the Brazilian Real
- Higher Adjusted PTC[1] also reflects the successful settlement of a legal dispute at Uruguaiana
- Consolidated FCF[1] improved primarily due to the drivers above, partially offset by the impact from the recovery of high purchased power costs in 2016 at Eletropaulo



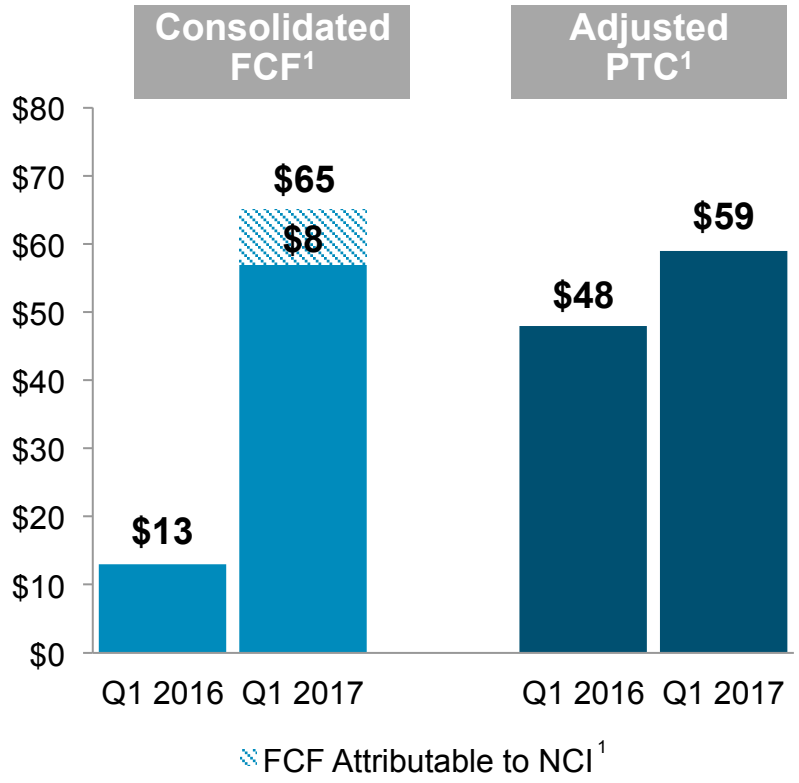
1. A non-GAAP financial measure. See Appendix for definition and reconciliation to the nearest GAAP measure.

Q1 Financial Results: MCAC SBU

$ in Millions

Consolidated FCF[1] Increased $52; Adjusted PTC[1] Increased $11

- Margins improved primarily due to higher availability in Mexico
- Higher Consolidated FCF[1] also reflects lower tax payments and working capital requirements in the Dominican Republic



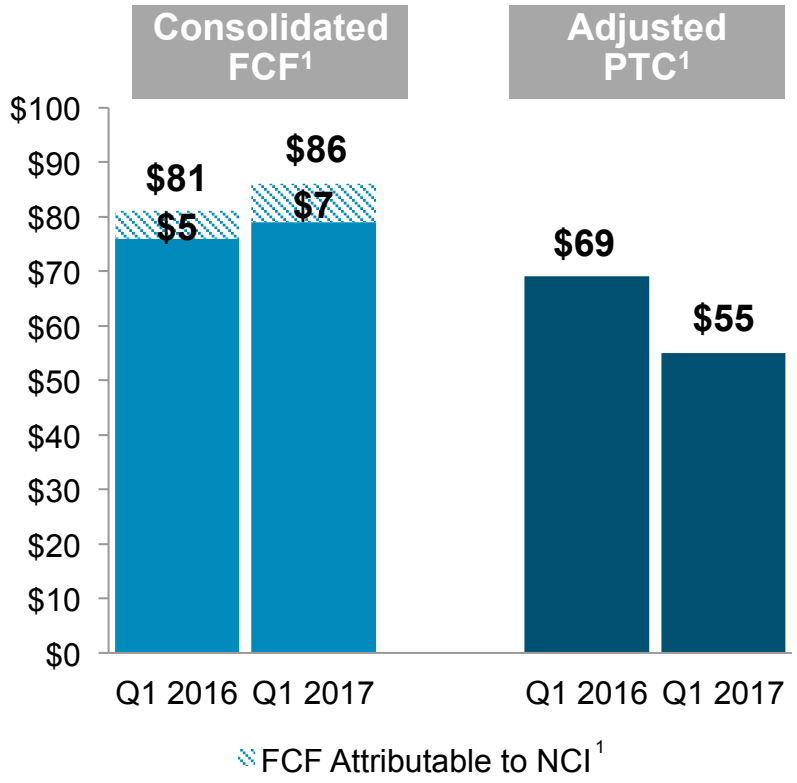
1. A non-GAAP financial measure. See Appendix for definition and reconciliation to the nearest GAAP measure.

Q1 Financial Results: Europe SBU

$ in Millions

Consolidated FCF[1] Increased $5; Adjusted PTC[1] Decreased $14

- Margins declined due to the capacity price reduction following the successful collection of receivables at Maritza in Bulgaria
- Higher Consolidated FCF[1] also reflects lower environmental capex and higher collections in the United Kingdom



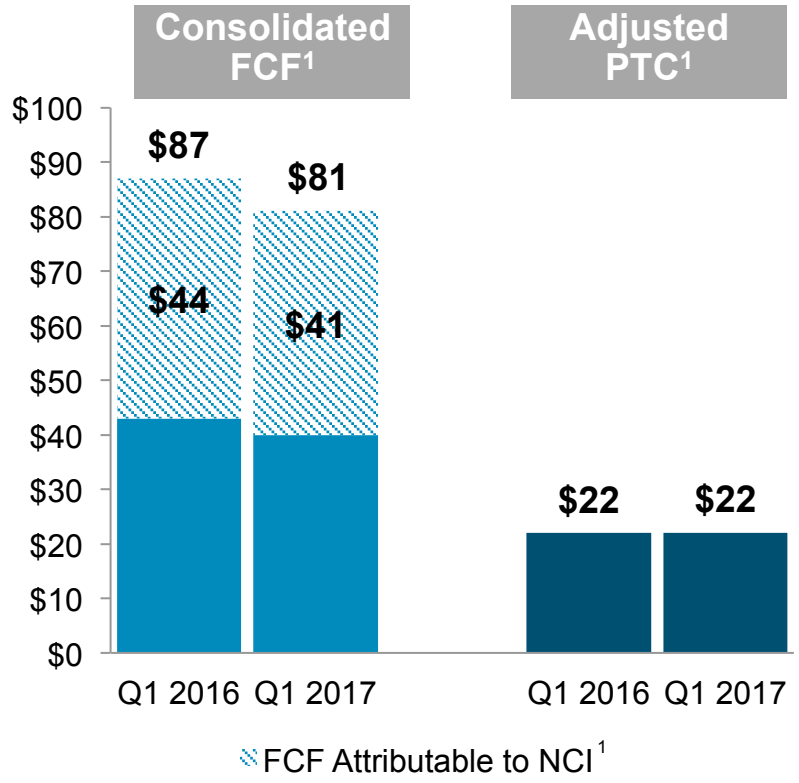
1. A non-GAAP financial measure. See Appendix for definition and reconciliation to the nearest GAAP measure.

Q1 Financial Results: Asia SBU

$ in Millions

Consolidated FCF[1] Decreased $6; Adjusted PTC[1] Flat

- Margins were flat
- Lower Consolidated FCF[1] reflects higher working capital requirements at Mong Duong in Vietnam



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

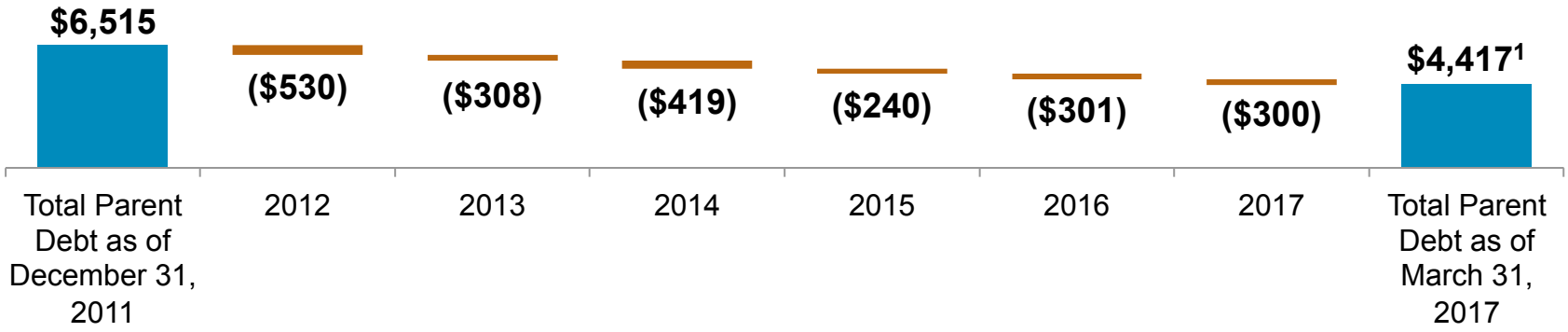
Regulatory Developments in Ohio – Dayton Power & Light (DP&L)

- In March, reached settlement agreement with PUCO Staff and various intervenors on ESP
  - Distribution Modernization Rider of $105 million/year over three years with potential for two-year extension
  - Approval of Smart Grid and Distribution Investment Riders
  - Commence sale process for Miami Fort, Zimmer and Conesville (1 GW)
- Evidentiary hearing concluded April 11, 2017
- PUCO approval expected by late June/early July
- Committed to:
  - Exiting 100% of coal capacity by June 2018 (2.1 GW)
  - Exploring strategic options for remaining generation (1 GW peakers)
  - Reducing debt

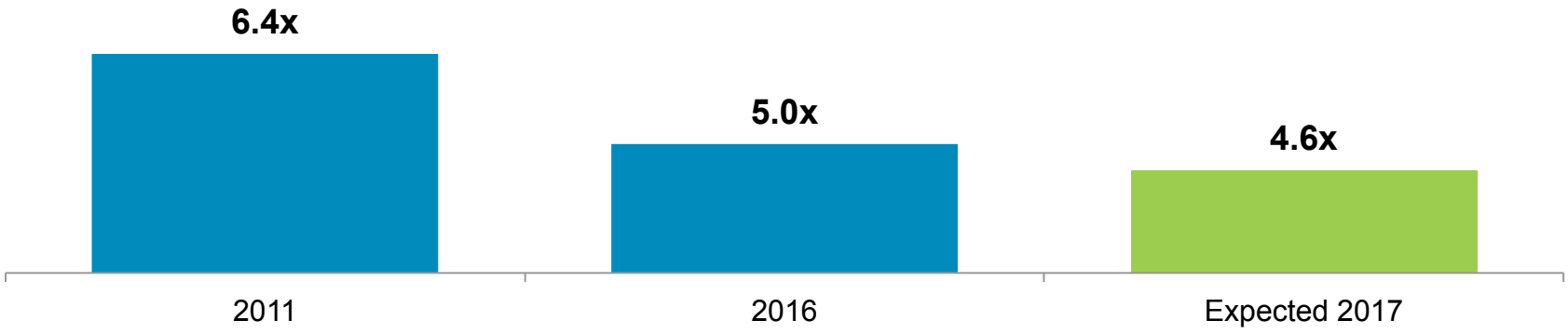
Taking Active Steps Towards DPL Becoming a Stable and Growing T&D Business

Improving Our Debt Profile

Reduced Parent Debt by 32% or $2.1 Billion ($ in Millions)



Improving Parent Leverage Debt[2]/(Parent Free Cash Flow[3] + Interest)

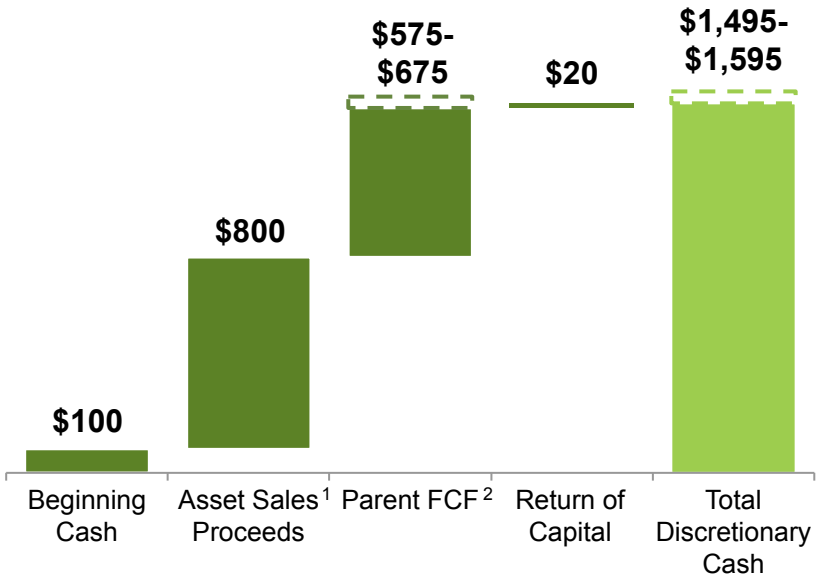


1. Excludes $127 million in borrowings under Parent credit facilities.
2. Includes equity credit for a portion of our existing Trust Preferred III securities.
3. A non-GAAP financial measure. See Appendix for reconciliation and definition.

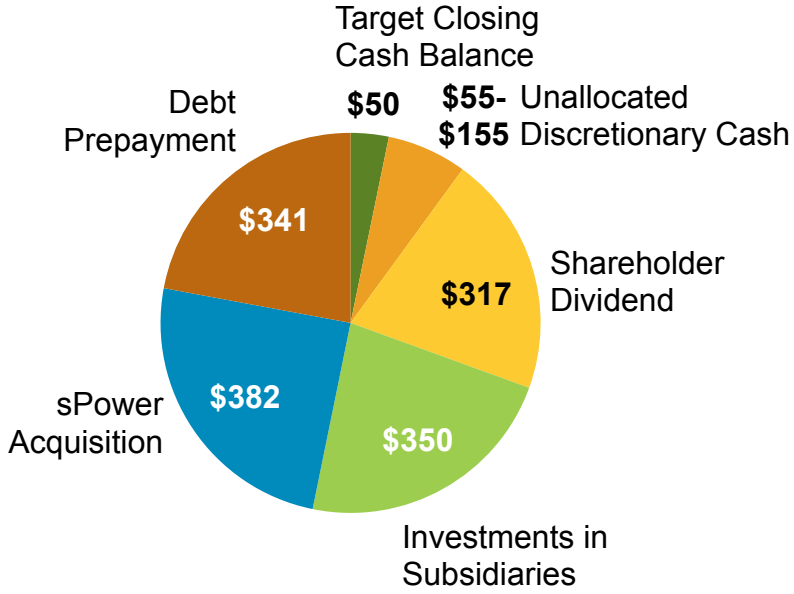
2017 Parent Capital Allocation Plan

$ in Millions

Discretionary Cash – Sources ($1,495-$1,595)



Discretionary Cash – Uses ($1,495-$1,595)



Maximizing Discretionary Cash to Increase Risk-Adjusted Returns for Shareholders

1. Includes announced asset sale proceeds of: approximately $300 million (Sul, Brazil) and at least $500 million asset sale proceeds target.
2. A non-GAAP financial measure. See Appendix for definition and reconciliation to the nearest GAAP measure.

Reaffirming 2017 Guidance

$ in Millions, Except Per Share Amounts

	FY 2017 Guidance
Adjusted EPS[1]	$1.00-$1.10
Consolidated Net Cash Provided by Operating Activities	$2,000-$2,800
Consolidated Free Cash Flow[1]	$1,400-$2,000

- Based on foreign currency and commodity forward curves as of March 31, 2017

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

Reaffirming Expectations Through 2020

$ in Millions, Except Per Share Amounts

	FY 2016 Guidance & Expectations	2020 Expectations
Adjusted EPS[1]	$0.95-$1.05	8%-10% growth off mid-point of 2016 guidance
Consolidated Net Cash Provided by Operating Activities	$2,000-$2,900	N/A
Consolidated Free Cash Flow[1]	$1,300-$2,200	8%-10% growth off mid-point of 2016 guidance

- $0.20 of expected Adjusted EPS[1] growth in 2018 is higher than 8%-10% average annual growth
  - 2.5 GW, or 75%, of construction capacity coming on-line with invested equity of ~$700 million
  - Cost savings and revenue enhancement initiatives and operating improvements
  - Contributions from growth in renewables, including sPower, and benefits of lower Parent interest expense

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

Conclusion

- Advancing our construction program, which is the key driver of our earnings and cash flow growth
- Capitalizing on the advantages from our existing platform in markets where we have a strong position to make investments to ensure growth beyond 2020
- Rebalancing our portfolio to reduce risk and complexity, by exiting non-core businesses and redeploying the proceeds consistent with our capital allocation framework
- Prepaying Parent debt to achieve investment grade credit metrics
- Optimizing our cost structure to improve operational efficiency and achieve our $400 million in annual savings target by 2020.

Expect Total Return of at Least 12%:
8%-10% Average Annual Growth, Plus ~4% Dividend Yield

Appendix

- Q1 Adjusted EPS[1] Roll-Up — Slide 34
- Listed Subs & Public Filers — Slide 35
- SBU Modeling Disclosures — Slides 36-37
- DPL Inc. Modeling Disclosures — Slide 38
- DP&L and DPL Inc. Debt Maturities — Slide 39
- Parent Only Cash Flow — Slides 40-43
- 2017 Guidance and Expectations Through 2020 — Slides 44-46
- Currencies and Commodities — Slides 47-49
- AES Modeling Disclosures — Slide 50
- Full Year 2017 Adjusted PTC[1] Modeling Ranges — Slide 51
- Construction Program — Slides 52-53
- Reconciliations — Slides 54-57
- Assumptions & Definitions — Slides 58-59

1. A non-GAAP financial measure.

Q1 2017 Adjusted EPS[1] Roll-Up

$ in Millions, Except Per Share Amounts

	Q1 2017	Q1 2016	Variance
Adjusted PTC[1]			
US	$48	$85	($37)
Andes	$88	$61	$27
Brazil	$39	$5	$34
MCAC	$59	$48	$11
Europe	$55	$69	($14)
Asia	$22	$22	-
Total SBUs	**$311**	**$290**	**$21**
Corp/Other	($121)	($105)	($16)
Total AES Adjusted PTC[1,2]	**$190**	**$185**	**$5**
Adjusted Effective Tax Rate	41%	47%	
Diluted Share Count	662	663	
ADJUSTED EPS[1]	**$0.17**	**$0.15**	**$0.02**

1. A non-GAAP financial measure. See Slide 55 for reconciliation to the nearest GAAP measure and "definitions".
2. Includes $7 million and $6 million of after-tax equity in earnings for Q1 2017 and Q1 2016, respectively.

Q1 2017 Adjusted PTC[1]: Reconciliation to Public Financials of Listed Subsidiaries & Public Filers

This table provides financial data of those operating subsidiaries of AES that are publicly listed or have publicly filed financial information on a stand-alone basis. The table provides a reconciliation of the subsidiary's Adjusted PTC as it is included in AES consolidated Adjusted PTC with the subsidiary's income/(loss) from continuing operations under US GAAP and the subsidiary's locally IFRS reported net income, if applicable. Readers should consult the subsidiary's publicly filed reports for further details of such subsidiary's results of operations.

AES SBU/Reporting Country	US				Andes/Chile		Brazil			
AES Company	IPL		DPL		AES Gener[2]		Eletropaulo[2]		Tietê[2]	
$ in Millions	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016
US GAAP RECONCILIATION										
AES Business Unit Adjusted Earnings[1,3]	**$18**	**$22**	**$2**	**$22**	**$39**	**$14**	**$1**	**($1)**	**$11**	**$5**
Adjusted PTC[1,3] Public Filer (Stand-alone)	**$27**	**$31**	**$3**	**$33**	**$55**	**$44**	**$1**	**($1)**	**$15**	**$7**
Impact of AES Differences from Public Filings	-	(4)	-	-	-	-	-	-	-	-
AES Business Unit Adjusted PTC[1]	**$27**	**$27**	**$3**	**$33**	**$55**	**$44**	**$1**	**($1)**	**$15**	**$7**
Unrealized Derivatives (Losses)/Gains	-	-	-	($2)	$5	-	-	-	-	-
Unrealized Foreign Currency Transaction Losses	-	-	-	-	($3)	$5	-	-	-	-
Impairment Losses	-	-	($66)	-	-	-	-	-	-	-
Disposition/Acquisition Gains	-	-	($20)	$22	-	-	-	-	-	-
Loss on Extinguishment of Debt	-	-	-	($3)	($2)	($2)	-	-	-	-
Non-Controlling Interest before Tax	$12	$10	-	-	$32	$24	$3	($4)	$49	$25
Income Tax Benefit/(Expenses)	($12)	($12)	$31	($19)	($25)	($49)	($2)	$1	($20)	($9)
US GAAP Income/(Loss) from Continuing Operations[4]	**$27**	**$25**	**($52)**	**$31**	**$62**	**$22**	**$2**	**($4)**	**$44**	**$23**
Adjustment to Depreciation & Amortization[5]					($10)	($10)	($7)	($6)	($3)	($3)
Adjustment to Regulatory Liabilities & Assets					-	-	-	-	-	-
Adjustment to Taxes[6]					$8	$32	($3)	($6)	-	-
Other Adjustments					($11)	($4)	$12	$25	($1)	($1)
IFRS Net Income					**$49**	**$40**	**$4**	**$9**	**$40**	**$19**
BRL-USD Implied Exchange Rate							3.2296	3.3790	3.1468	3.8943

1. A non-GAAP financial measure. Reconciliation provided above. See "definitions" for descriptions of adjustments.
2. The listed subsidiary is a public filer in its home country and reports its financial results locally under IFRS. Accordingly certain adjustments presented under IFRS Reconciliation are required to account for differences between US GAAP and local IFRS standards.
3. Total Adjusted PTC, US GAAP Income from continuing operations and intervening adjustments are calculated before the elimination of inter-segment transactions such as revenue and expenses related to the transfer of electricity from AES generation plants to AES utilities within Brazil.
4. Represents the income/(loss) from continuing operations of the subsidiary included in the consolidated operating results of AES under US GAAP.
5. Adjustment to depreciation and amortization expense represents additional expense required due primarily to basis differences of long-lived and intangible assets under IFRS for each reporting period.
6. Adjustment to taxes represents mainly differences relating to the goodwill tax benefit resulting from the restructuring of Brazilian subsidiaries that increased tax basis in long-term assets (Eletropaulo) and depreciation for the difference in cost basis of PP&E (Eletropaulo and Tietê).

Q1 2017 Modeling Disclosures

$ in Millions

	Adjusted PTC[1]	Interest Expense			Interest Income			Depreciation & Amortization		
		Consolidated	Attributable to NCI	Ownership-Adjusted	Consolidated	Attributable to NCI	Ownership-Adjusted	Consolidated	Attributable to NCI	Ownership-Adjusted
US	$48	$60	($8)	$52	($1)	-	($1)	$110	($17)	$93
DPL	$3	$27	-	$27	-	-	-	$27	-	$27
IPL	$27	$25	($7)	$18	-	-	-	$53	($16)	$37
Andes	$88	$51	($17)	$34	$13	($1)	$12	$61	($23)	$38
AES Gener	$55	$46	($18)	$28	$2	($1)	$1	$60	($23)	$37
Brazil	$39	$80	($64)	$16	$48	($34)	$14	$41	($33)	$8
Tietê	$15	$17	($13)	$4	$6	($4)	$2	$9	($7)	$2
Eletropaulo	$1	$61	($51)	$10	$33	($27)	$6	$32	($27)	$5
MCAC	$59	$40	($7)	$33	$4	($1)	$3	$42	($10)	$32
Europe	$55	$16	($3)	$13	-	-	-	$27	($4)	$23
Asia	$22	$27	($13)	$14	$32	($16)	$16	$7	($3)	$4
Subtotal	**$311**	**$274**	**($112)**	**$162**	**$96**	**($52)**	**$44**	**$288**	**($90)**	**$198**
Corp/Other	($121)	$74	-	$74	$1	-	$1	$3	-	$3
TOTAL	**$190**	**$348**	**($112)**	**$236**	**$97**	**($52)**	**$45**	**$291**	**($90)**	**$201**

1. A non-GAAP financial measure. See reconciliation to the nearest GAAP measure on Slide 55 and “definitions”.

Q1 2017 Modeling Disclosures

$ in Millions

	Total Debt			Cash & Cash Equivalents, Restricted Cash, Short-Term Investments, Debt Service Reserves & Other Deposits		
	Consolidated	Attributable to NCI	Ownership-Adjusted	Consolidated	Attributable to NCI	Ownership-Adjusted
US	$5,057	($770)	$4,287	$281	($15)	$266
DPL	$1,852	-	$1,852	$63	-	$63
IPL	$2,560	($768)	$1,792	$37	($11)	$26
Andes	$4,033	($1,587)	$2,446	$669	($210)	$459
AES Gener	$3,703	($1,587)	$2,116	$514	($210)	$304
Brazil[1]	$1,486	($1,202)	$284	$929	($698)	$231
Tietê	$452	($342)	$110	$233	($177)	$56
Eletropaulo	$1,034	($860)	$174	$564	($469)	$95
MCAC	$2,631	($434)	$2,197	$512	($113)	$399
EMEA	$906	($246)	$660	$163	($32)	$131
Asia	$1,721	($843)	$878	$294	($141)	$153
Subtotal	**$15,834**	**($5,082)**	**$10,752**	**$2,848**	**($1,209)**	**$1,639**
Corp/Other	$4,500	-	$4,500	$278	-	$278
TOTAL	**$20,334**	**($5,082)**	**$15,252**	**$3,126**	**($1,209)**	**$1,917**

1. In addition to total debt, Eletropaulo has $1,182 million of pension plan liabilities. AES owns 17% of Eletropaulo.

DPL Inc. Modeling Disclosures

Based on Market Conditions and Hedged Position as of March 31, 2017

	Balance of Year 2017	Full Year 2018	Full Year 2019
Volume Production (TWh)	7.8	5.6	2.8
% Volume Hedged	~58%	~24%	~11%
Average Hedged Dark Spread ($/MWh)	$14.06	$17.33	N/A
EBITDA Generation Business[1] ($ in Millions)		~$45 to $50 per year	
EBITDA DPL Inc. including Generation and T&D ($ in Millions)		~$275 to $300 per year	
Reference Prices[2]			
Henry Hub Natural Gas ($/mmbtu)	$3.30	$3.03	$2.83
AEP-Dayton Hub ATC Prices ($/MWh)	$31	$31	$29
EBITDA Sensitivities (with Existing Hedges) ($ in Millions)			
+10% AD Hub Energy Price ATC ($/MWh)	$11	$13	$7
-10% AD Hub Energy Price ATC ($/MWh)	($11)	($13)	($7)

Note: Data assume the exit of Stuart and Killen mid-2018, Miami Fort and Zimmer mid-2017, and Conesville in early 2018.

1. Includes capacity premium performance results.
2. Balance of Year 2017 (April-December) and Full Year 2018-2019 based on forward curves as of March 31, 2017.

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

$ in Millions

Series	Interest Rate	Maturity	Amount Outstanding as of March 31, 2017	Remarks
2016 FMB Secured B Loan	**Variable**	**Aug. 2022**	**$443.9**	• **Redeemable at 101% of par**
2006 OH Air Quality PCBs	4.8%	Sept. 2036	$100.0	• Redeemable at par on any day
2015 Direct Purchase Tax Exempt TL	Variable	Aug. 2020 (put)	$200.0	• Redeemable at par on any day
Total Pollution Control	**Various**	**Various**	**$300.0**	
Wright-Patterson AFB Note	**4.2%**	**Feb. 2061**	**$17.9**	• **No redemption option**
2015 DP&L Revolver	**Variable**	**July 2020**	-	• **Redeemable at par on any day**
DP&L Preferred	**3.8%**	**N/A**	**$0.0**	• **Redeemed in Q4 2016**
Total DP&L			**$761.8**	
2018 Term Loan	**Variable**	**May 2018**	**$118.8**	• **No redemption penalty**
2016 Senior Unsecured	6.5%	Oct. 2016	$0.0	• Retired in Q4 2016
2019 Senior Unsecured	6.75%	Oct. 2019	$200.0	• Callable at make-whole T+50
2021 Senior Unsecured	7.25%	Oct. 2021	$780.0	• Callable at make-whole T+50
Total Senior Unsecured Bonds	**Various**	**Various**	**$980.0**	
2015 DPL Revolver	**Variable**	**July 2020**	**-**	• **Redeemable at par on any day**
2001 Cap Trust II Securities	**8.125%**	**Sept. 2031**	**$15.6**	• **Non-callable**
Total DPL Inc.			**$1,114.4**	
TOTAL			**$1,876.2**	

Parent Sources and Uses of Liquidity

$ in Millions	Q1	
	2017	2016
Sources		
Total Subsidiary Distributions[1]	$209	$85
Proceeds from Asset Sales, Net	$289	$11
Financing Proceeds, Net	-	-
Increased/(Decreased) Credit Facility Commitments	-	-
Issuance of Common Stock, Net	-	-
Total Returns of Capital Distributions & Project Financing Proceeds	-	$16
Beginning Parent Company Liquidity[2]	$894	$1,138
TOTAL SOURCES	**$1,392**	**$1,250**
Uses		
Repayments of Debt	($341)	($116)
Shareholder Dividend	($79)	($73)
Repurchase of Equity	-	($79)
Investments in Subsidiaries, Net	($60)	($139)
Cash for Development, Selling, General & Administrative and Taxes	($119)	($84)
Cash Payments for Interest	($74)	($74)
Changes in Letters of Credit and Other, Net	-	($10)
Ending Parent Company Liquidity[2]	($719)	($675)
TOTAL USES	**($1,392)**	**($1,250)**

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

Q1 2017 Subsidiary Distributions[1]

$ in Millions

Subsidiary Distributions[1] by SBU	
	Q1 2017
US	$19
Andes	$79
Brazil	-
MCAC	-
Europe	$106
Asia	$1
Corporate & Other[2]	$4
TOTAL	**$209**

Top Ten Subsidiary Distributions[1] by Business			
Q1 2017			
Business	Amount	Business	Amount
Argentina (Andes)	$79	Global Insurance (Corporate & Other)	$4
Maritza (Europe)	$73	Ballylumford (Europe)	$2
IPALCO (US)	$18	Kavarna (Europe)	$2
Elsta (Europe)	$16	Amman East (Europe)	$2
Kilroot (Europe)	$10	Laurel Mountain (US)	$1

1. See “definitions”.
2. Corporate & Other includes Global Insurance.

Reconciliation of Subsidiary Distributions[1] and Parent Liquidity[2]

$ in Millions

	Quarter Ended			
	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
Total Subsidiary Distributions[1] to Parent & QHCs[3]	$209	$426	$265	$337
Total Return of Capital Distributions to Parent & QHCs[3]	-	$12	$4	$14
Total Subsidiary Distributions[1] & Returns of Capital to Parent	**$209**	**$438**	**$269**	**$351**

	Balance as of			
	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
Cash at Parent & QHCs[3]	$52	$100	$42	$30
Availability Under Credit Facilities	$667	$794	$519	$733
Ending Liquidity	**$719**	**$894**	**$561**	**$763**

1. See “definitions”.
2. A non-GAAP financial measure. See “definitions”.
3. Qualified Holding Company. See “assumptions”.

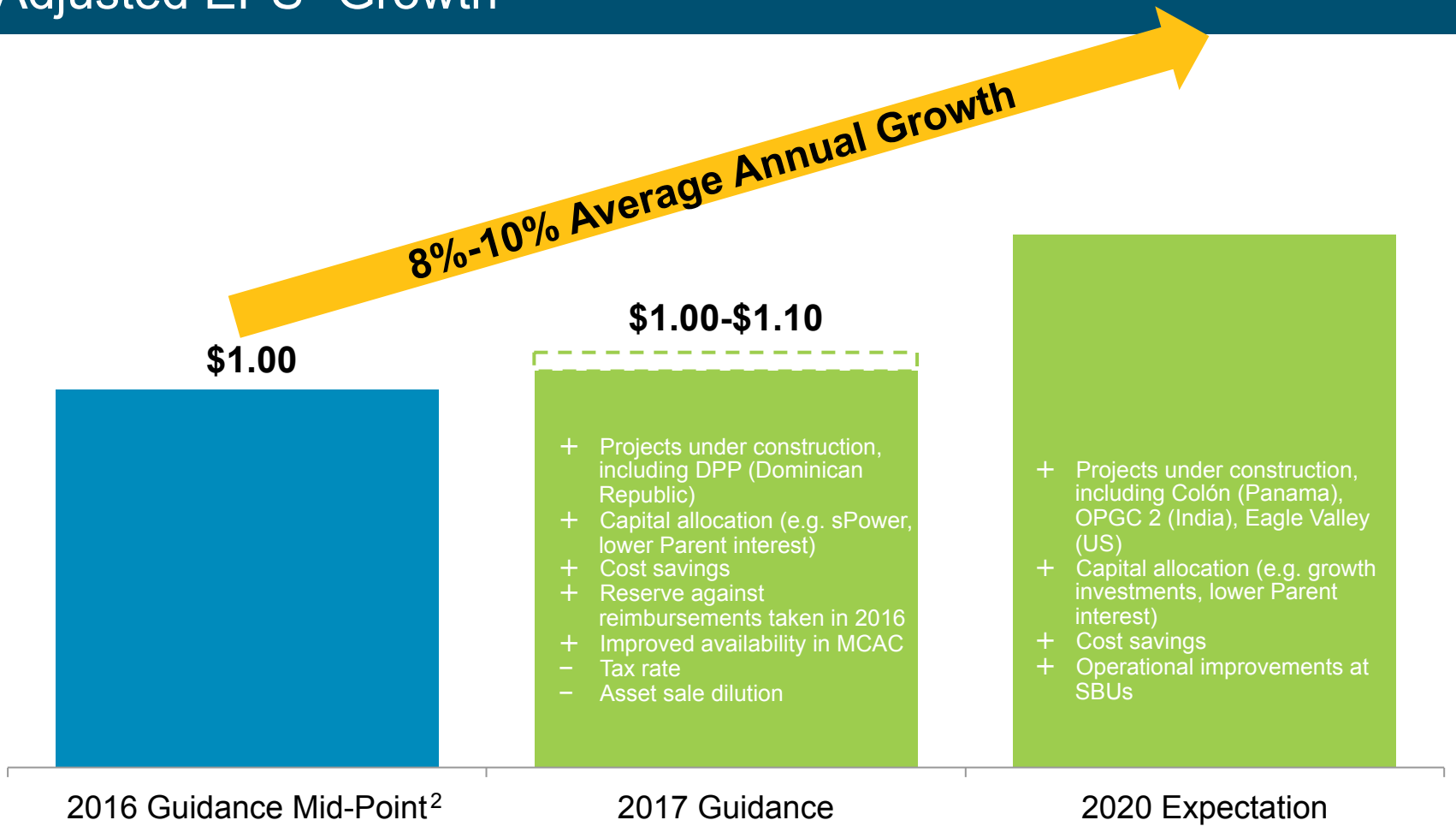
Reconciliation of Parent Leverage

$ in Millions

	2011	2016	2017
Parent Free Cash Flow[1] (a)	$586	$579	$625
Interest (b)	$390	$305	$280
Parent Free Cash Flow[1] before Interest (a + b)	**$976**	**$884**	**$905**
Debt[2]	$6,256	$4,458	$4,158
DEBT[2]/(PARENT FREE CASH FLOW[1] + INTEREST)	**6.4x**	**5.0x**	**4.6x**

1. A non-GAAP financial measure. See "definitions". 2011 and 2016 reflect actual results. 2017 represents the mid-point of 2017 guidance.
2. Includes equity credit for a portion of our existing Trust Preferred III securities.

Adjusted EPS[1] Growth

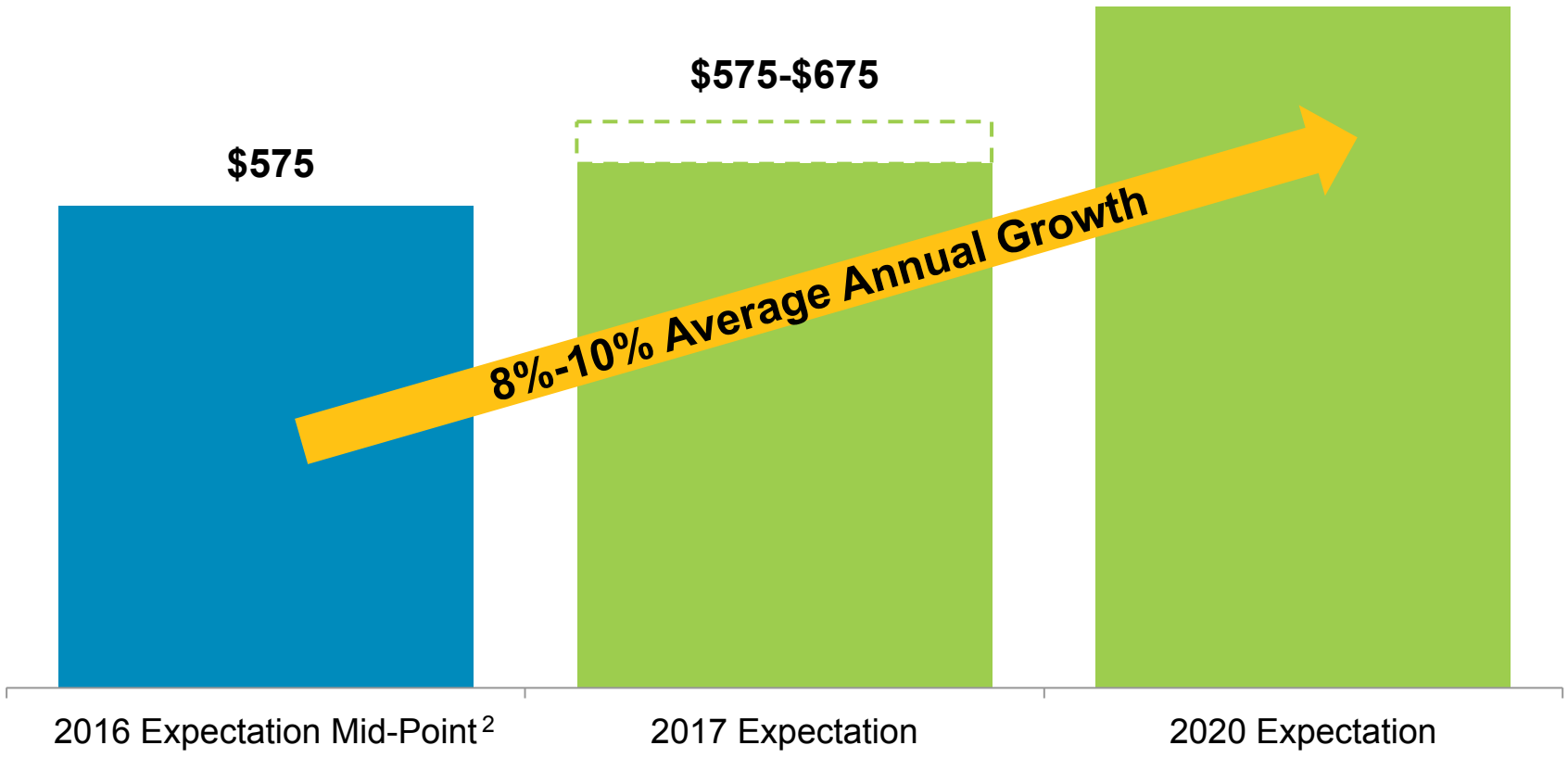


Growth in 2018 Adjusted EPS[1] Expected to be Higher than 8%-10% due to New Businesses Coming On-Line and Cost Savings

1. A non-GAAP financial measure. See Slides 56 and 57 for reconciliation to the nearest GAAP measure and “definitions”.
2. 2016 Actual: $0.98.

Parent Free Cash Flow[1] Growth

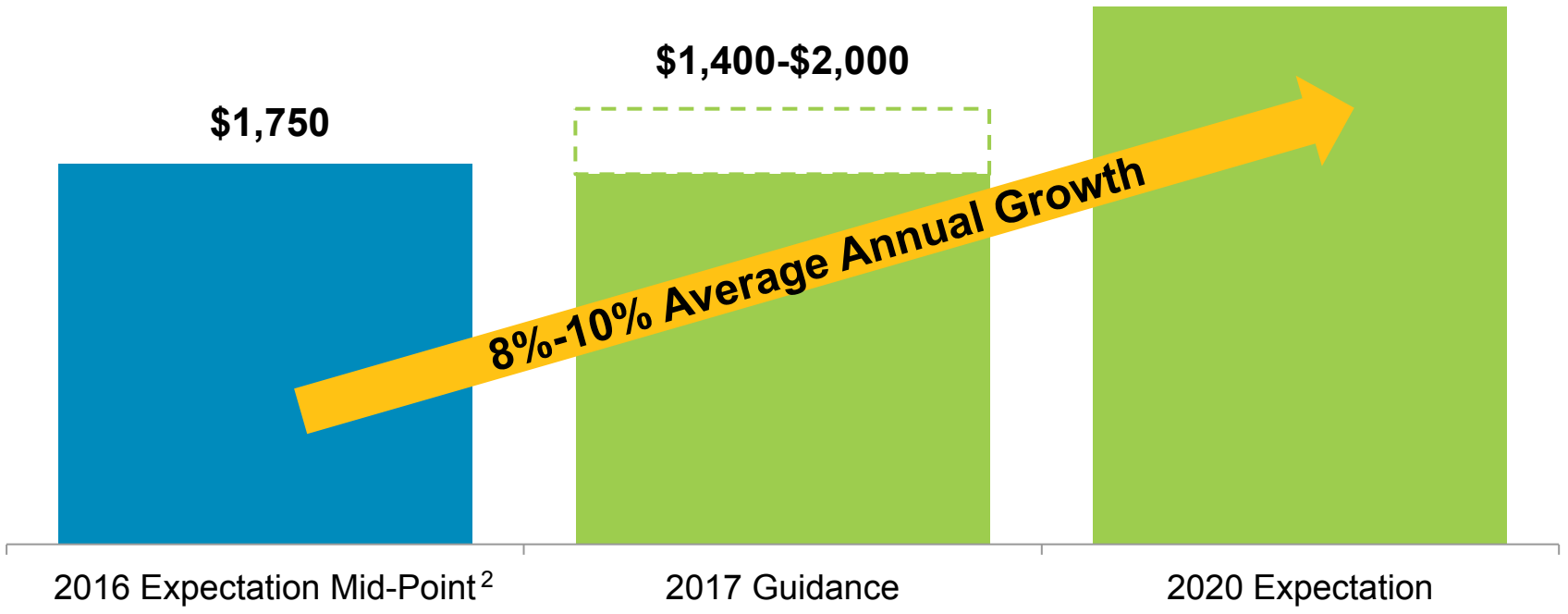
$ in Millions



1. A non-GAAP financial measure. See Slides 56 and 57 for reconciliation to the nearest GAAP measure and “definitions”.
2. 2016 Actual: $579 million.

Consolidated Free Cash Flow[1] Growth

$ in Millions



Noncontrolling Interests Represent 30%-40% of Consolidated Free Cash Flow[1]

1. A non-GAAP financial measure. See Slides 56 and 57 for reconciliation to the nearest GAAP measure and "definitions".
2. 2016 Actual: $2,244 million.

Full Year 2017 Guidance Estimated Sensitivities

Interest Rates[1]

- 100 bps move in interest rates over year-to-go 2017 is forecasted to have a change in EPS of approximately $0.025

Currencies

10% appreciation in USD against the following key currencies is forecasted to have the following negative EPS impacts:	Balance of Year 2017	
	Average Rate	Sensitivity
Brazilian Real (BRL)	3.23	Less than $0.005
Colombian Peso (COP)	2,931	Less than $0.005
Euro (EUR)	1.07	Less than $0.005
Great British Pound (GBP)	1.26	Less than $0.005
Kazakhstan Tenge (KZT)	325	Less than $0.005

Commodity Sensitivity

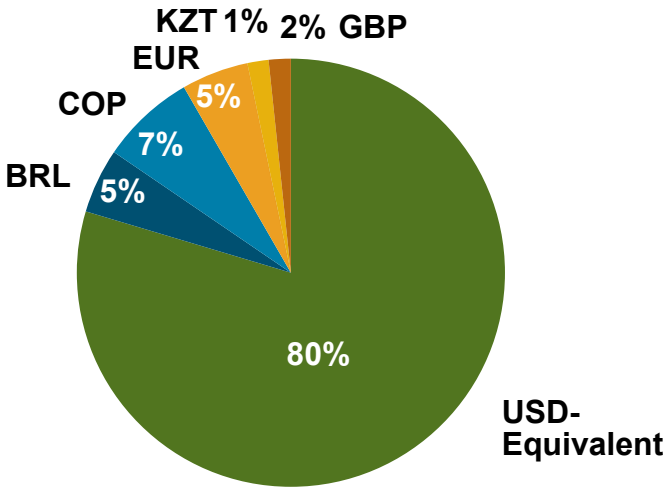
10% increase in commodity prices is forecasted to have the following EPS impacts:	Balance of Year 2017	
	Average Rate	Sensitivity
Illinois Basin Coal	$35/ton	$0.005, negative correlation
Rotterdam Coal (API 2)	$71/ton	
NYMEX WTI Crude Oil	$51/bbl	Less than $0.005, positive correlation
IPE Brent Crude Oil	$54/bbl	
NYMEX Henry Hub Natural Gas	$3.3/mmbtu	$0.005, positive correlation
UK National Balancing Point Natural Gas	£0.4/therm	
US Power (DPL) – PJM AD Hub	$ 31/MWh	$0.01, positive correlation

Note: Guidance provided on May 8, 2017. 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 year-to-go 2017 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 2017 guidance is based on currency and commodity forward curves and forecasts as of March 31, 2017. 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. Please see Item 1 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 $0.005 cent per share.

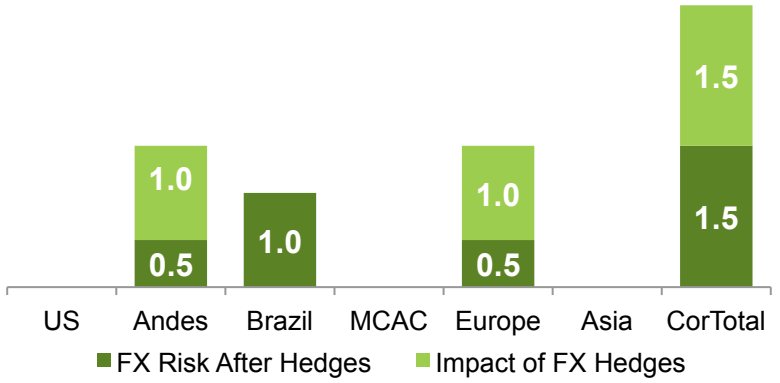
1. The move is applied to the floating interest rate portfolio balances as of March 31, 2017.

2017 Foreign Exchange (FX) Risk Mitigated Through Structuring of Our Businesses and Active Hedging

2017 Adjusted PTC[1] by Currency Exposure



2017 Full Year FX Sensitivity[2,3] by SBU (Cents Per Share)

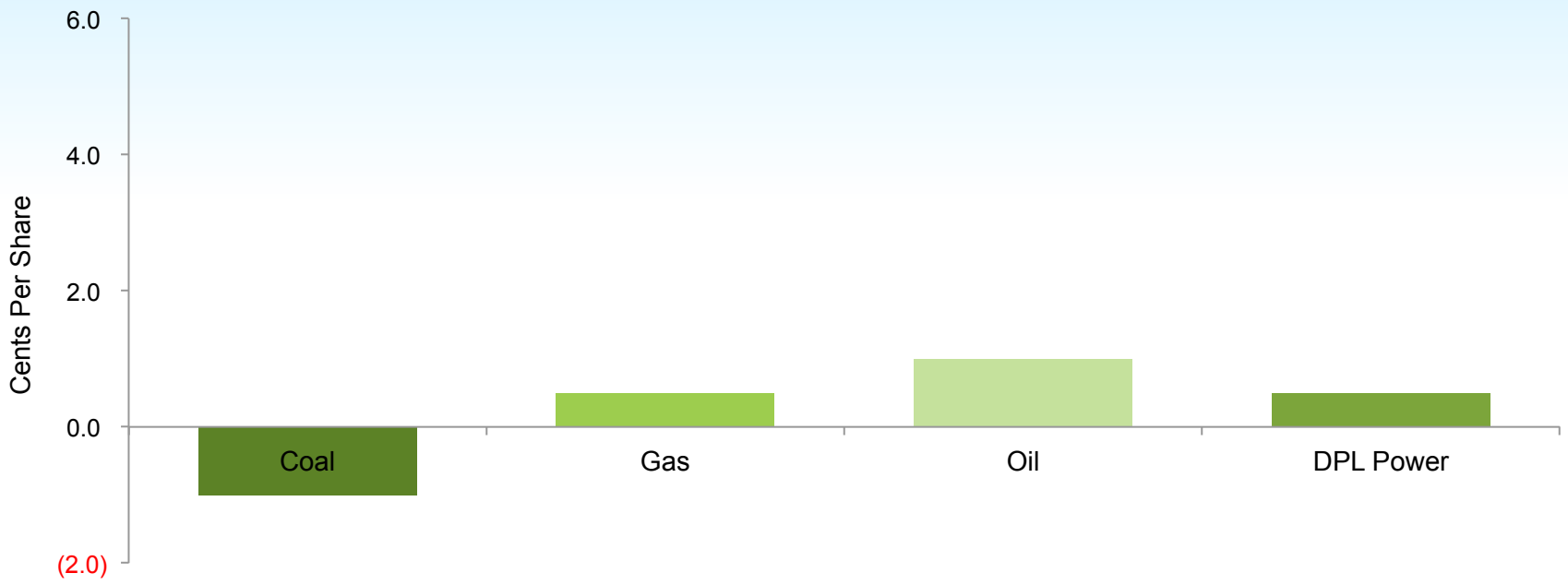


- 2017 correlated FX risk after hedges is $0.015 for 10% USD appreciation
- 80% of 2017 earnings effectively USD
  - USD-based economies (i.e. U.S., Panama)
  - Structuring of our contracts
- FX risk mitigated on a rolling basis by shorter-term active FX hedging programs

1. Before Corporate Charges. A non-GAAP financial measure. See “definitions”.
2. Sensitivity represents full year 2017 exposure to a 10% appreciation of USD relative to foreign currency as of December 31, 2016.
3. Andes includes Argentina and Colombia businesses only due to limited translational impact of USD appreciation to Chilean businesses.

Commodity Exposure is Mostly Hedged in the Medium- to Long-Term

Full Year 2019 Adjusted EPS[1] Commodity Sensitivity[2] for 10% Change in Commodity Prices



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.

AES Modeling Disclosures

$ in Millions

Parent Company Cash Flow Assumptions	2017
Subsidiary Distributions (a)	$1,145-$1,245
Cash Interest (b)	$280
Corporate Overhead	$150
Parent-Funded SBU Overhead	$100
Business Development	$40
Cash for Development, General & Administrative and Tax (c)	$290
PARENT FREE CASH FLOW[1] (a – b – c)	**$575-$675**

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

Full Year 2017 Adjusted PTC[1] Modeling Ranges

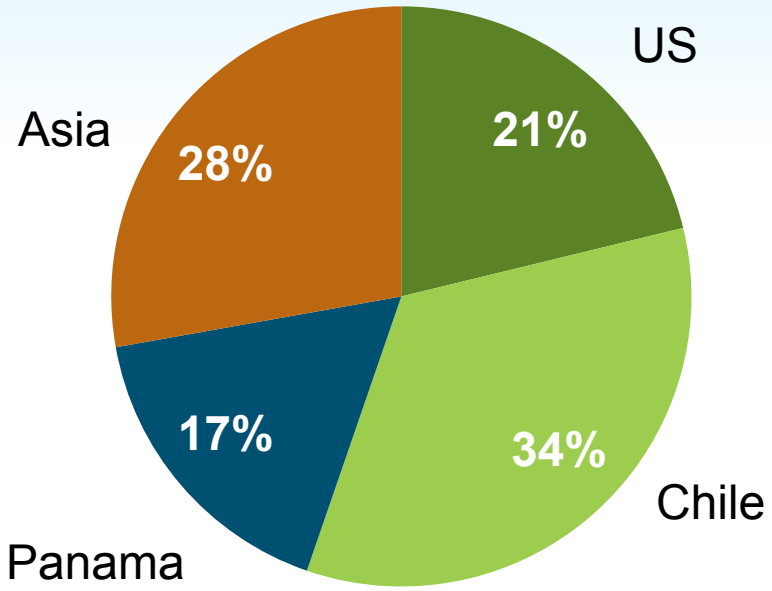
$ in Millions

SBU	2017 Adjusted PTC Modeling Ranges as of 2/27/17[1]	Drivers of Growth Versus 2016
US	$365-$415	+ New businesses, including sPower
Andes	$400-$450	+ Argentina reforms + Higher contracting levels at Chivor
Brazil	$60-$80	+ Gain on legal settlement
MCAC	$350-$400	+ COD of DPP + Higher availability in Puerto Rico and Mexico + Reserve taken against reimbursements in 2016
Europe	$145-$175	– Lower generation volume in the United Kingdom
Asia	$80-$100	– Lower tariff in India
Total SBUs	**$1,400-$1,620**	
Corp/Other	($450)-($525)	
Total AES Adjusted PTC[1,2]	**$950-$1,095**	

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

Leveraging Our Platforms: $6.9 Billion Construction Program Funded with Combination of Debt and Equity

$1.2 Billion AES Equity Commitment, of Which Only $200 Million Is Still To Be Funded



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 2017-2019									
DPP Conversion	Dominican Republic	90%	Gas	122	1H 2017	$260	$0		
IPL Wastewater	US-IN	70%	Coal		2H 2017	$224	$71		Environmental (NPDES) upgrades of 1,864 MW
Eagle Valley CCGT	US-IN	70%	Gas	671	1H 2018	$590	$186		
Colón	Panama	50%	Gas	380	1H 2018	$995	$205		Regasification and LNG storage tank expected on-line in 2019
OPGC 2	India	49%	Coal	1,320	2H 2018	$1,585	$227		
Alto Maipo	Chile	40%	Hydro	531	1H 2019	$2,513	$413		
Masinloc 2	Philippines	51%	Coal	335	1H 2019	$740	$110		
Total				**3,359**		**$6,907**	**$1,212**		
ROE[1]								**~12%**	**Weighted average; net income divided by AES equity contribution**
CASH YIELD[1]								**~13%**	**Weighted average; subsidiary distributions divided by AES equity contribution**

1. Based on projections. See our 2016 Form 10-K for further discussion of development and construction risks. Based on 3-year average contributions from all projects under construction and IPL wastewater upgrades, once all projects under construction are completed.

Reconciliation of Q1 Capex and Free Cash Flow[1]

$ in Millions

	Consolidated Q1	
	2017	2016
Operational Capex (a)	$152	$162
Environmental Capex (b)	$24	$87
Maintenance Capex (a + b)	$176	$249
Growth Capex (c)	$324	$401
TOTAL CAPEX[2] (a + b + c)	**$500**	**$650**

	Consolidated Q1	
	2017	2016
Operating Cash Flow	$703	$640
Add: Capital Expenditures Related to Service Concession Assets	$1	$24
Less: Maintenance Capex, net of Reinsurance Proceeds and Non-Recoverable Environmental Capex	($158)	($174)
CONSOLIDATED FREE CASH FLOW[1]	**$546**	**$490**

1. A non-GAAP financial measure as reconciled above. See “definitions”.
2. Includes capital expenditures under investing and financing activities.

Reconciliation of Q1 Adjusted PTC[1] and Adjusted EPS[1]

$ in Millions, Except Per Share Amounts	Q1 2017		Q1 2016	
	Net of NCI[2]	Per Share (Diluted) Net of NCI[2]	Net of NCI[2]	Per Share (Diluted) Net of NCI[2]
Income (Loss) from Continuing Operations Attributable to AES and Diluted EPS	($24)	($0.04)	$135	$0.20
Add: Income Tax Benefit from Continuing Operations Attributable to AES	$20		$61	
Pre-Tax Contribution	($4)		$196	
Adjustments				
Unrealized Derivative Gains	($1)	-	($34)	($0.05)
Unrealized Foreign Currency Transaction Gains	($9)	($0.01)	($9)	($0.01)
Disposition/Acquisition (Gains) Losses	$52	$0.08[3]	($19)	($0.03)[4]
Impairment Expense	$168	$0.25[5]	$50	$0.08[6]
(Gains) Losses on Extinguishment of Debt	($16)	($0.02)[7]	$1	-
Less: Net Income Tax (Benefit)	-	($0.09)[8]	-	($0.04)[9]
ADJUSTED PTC[1] & ADJUSTED EPS[1]	**$190**	**$0.17**	**$185**	**$0.15**

1. Non-GAAP financial measures. See “definitions”.
2. NCI is defined as Noncontrolling Interests.
3. Amount primarily relates to realized derivative losses associated with the sale of Sul of $38 million, or $0.06 per share; costs associated with early plant closures at DPL of $20 million, or $0.03 per share; partially offset by interest earned on Sul sale proceeds prior to repatriation of $6 million, or $0.01 per share.
4. Amount primarily relates to the gain on sale of DPLER of $22 million, or $0.03 per share.
5. Amount relates to asset impairments at Kazakhstan of $94 million, or $0.14 per share; at DPL of $66 million, or $0.10 per share; and Tait Energy Storage of $8 million, or $0.01 per share.
6. Amount primarily relates to the asset impairment at Buffalo Gap II of $159 million ($49 million, or $0.07 per share, net of NCI).
7. Amount primarily relates to the gain on early retirement of debt at Alicura of $65 million, or $0.10 per share, partially offset by the loss on early retirement of debt at the Parent Company of $47 million, or $0.07 per share.
8. Amount primarily relates to the income tax benefits associated with asset impairments of $51 million, or $0.08 per share and dispositions of $16 million, or $0.02 per share.
9. Amount primarily relates to the income tax benefit associated with asset impairment of $52 million, or $0.08 per share; partially offset by income tax expense associated with derivatives of $11 million, or $0.02 per share.

Reconciliation of 2016 Guidance

$ in Millions, Except Per Share Amounts

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

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

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

1. A non-GAAP financial measure. See “definitions”.
2. Actual 2017 Adjusted EPS was $0.98. The above range is provided as a base for future growth rates. Reconciliation of Adjusted EPS may be found in the Company’s 2016 Form 10-K.

Reconciliation of 2017 Guidance

$ in Millions, Except Per Share Amounts

2017 Guidance	
Consolidated Net Cash Provided by Operating Activities	$2,000-$2,800
Consolidated Free Cash Flow[1]	$1,400-$2,000
Adjusted EPS[1, 2]	$1.00-$1.10

Reconciliation	
Consolidated Net Cash Provided by Operating Activities (a)	$2,000-$2,800
Maintenance & Environmental Capital Expenditures (b)	$600-$800
Consolidated Free Cash Flow[1] (a - b)	$1,400-$2,000

- Commodity and foreign currency exchange rates and forward curves as of March 31, 2017

1. A non-GAAP financial measure. See “definitions”.
2. The Company is not able to provide a corresponding GAAP equivalent for its Adjusted EPS guidance. In providing its full year 2017 Adjusted EPS guidance, the Company notes that there could be differences between expected reported earnings and estimated operating earnings, including the items listed below. Therefore, management is not able to estimate the aggregate impact, if any, of these items on reported earnings. As of March 31, 2017, the impact of these items was as follows: (a) unrealized gains or losses related to derivative transactions had no impact, (b) unrealized foreign currency gains or losses represent a gain of $6 million, (c) gains or losses and associated benefits and costs due to dispositions and acquisitions of business interests, including early plant closures, and the tax impact from the repatriation of sales proceeds represent a loss of $35 million (d) losses due to impairments of $117 million and (e) gains, losses and costs due to the early retirement of debt represent a gain of $11 million.

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 and associated benefits and costs due to dispositions and acquisitions of business interests, including early plant closures, and the tax impact from the repatriation of sales proceeds, (d) losses due to impairments, and (e) gains, losses and costs due to the early retirement of debt. The GAAP measure most comparable to adjusted EPS is diluted earnings per share from continuing operations. We believe that adjusted EPS better reflect the underlying business performance of the Company and are 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 of or acquire business interests or retire debt, which affect results in a given period or periods. Adjusted EPS should not be construed as alternatives to income from continuing operations attributable to AES and diluted earnings per share from continuing operations, which are determined in accordance with GAAP. Beginning in the first quarter of 2017, the definition was revised to exclude associated benefits and costs due to acquisitions, dispositions and early plant closures, including the tax impact of decisions made at the time of sale to repatriate proceeds.
- **Adjusted Pre-Tax Contribution** (a non-GAAP financial measure) is defined as pre-tax income from continuing operations attributable to AES excluding gains or losses of the consolidated entity due to (a) unrealized gains or losses related to derivative transactions, (b) unrealized foreign currency gains or losses, (c) gains or losses and associated benefits and costs due to dispositions and acquisitions of business interests, including early plant closures, and the tax impact from the repatriation of sales proceeds, (d) losses due to impairments, and (e) gains, losses and costs due to the early retirement of debt. Adjusted PTC also includes net equity in earnings of affiliates on an after-tax basis adjusted for the same gains or losses excluded from consolidated entities. The GAAP measure most comparable to adjusted PTC is income from continuing operations attributable to AES. We believe that adjusted PTC better reflect the underlying business performance of the Company and are 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 of or acquire business interests or retire debt, which affect results in a given period or periods. In addition, for adjusted PTC, earnings before tax represents the business performance of the Company before the application of statutory income tax rates and tax adjustments, including the effects of tax planning, corresponding to the various jurisdictions in which the Company operates. Adjusted PTC should not be construed as alternatives to income from continuing operations attributable to AES and diluted earnings per share from continuing operations, which are determined in accordance with GAAP. Beginning in the first quarter of 2017, the definition was revised to exclude associated benefits and costs due to acquisitions, dispositions and early plant closures, including the tax impact of decisions made at the time of sale to repatriate proceeds.
- **Free Cash Flow** (a non-GAAP financial measure) is defined as net cash from operating activities (adjusted for service concession asset capital expenditures) 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 generated by the business after the funding of maintenance capital expenditures that may be available for investing in growth opportunities 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.
- **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.
- **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.