






June 2018

# The AES Corporation

# 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 37 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' 2017 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.

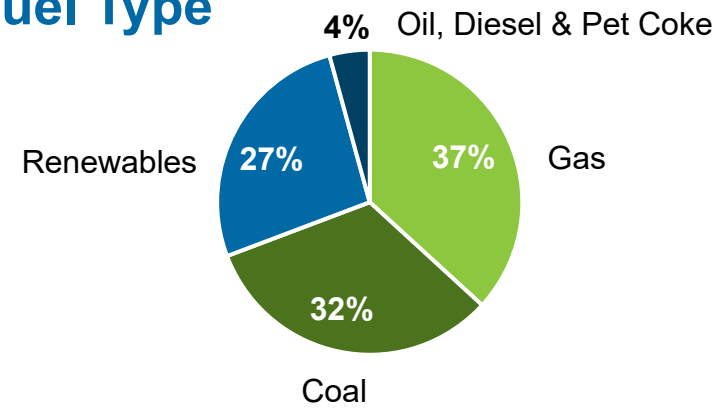
Reconciliation to U.S. GAAP Financial Information

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.

# Who We Are

**Improving lives by accelerating a safer and greener energy future**

## Fuel Type




**$33 Billion**
Total Assets Owned and Managed

**$11 Billion**
2017 Revenue

**33,965**
Gross MW in Operation

**3,930**
Gross MW Under Construction

**6**
Utility Companies

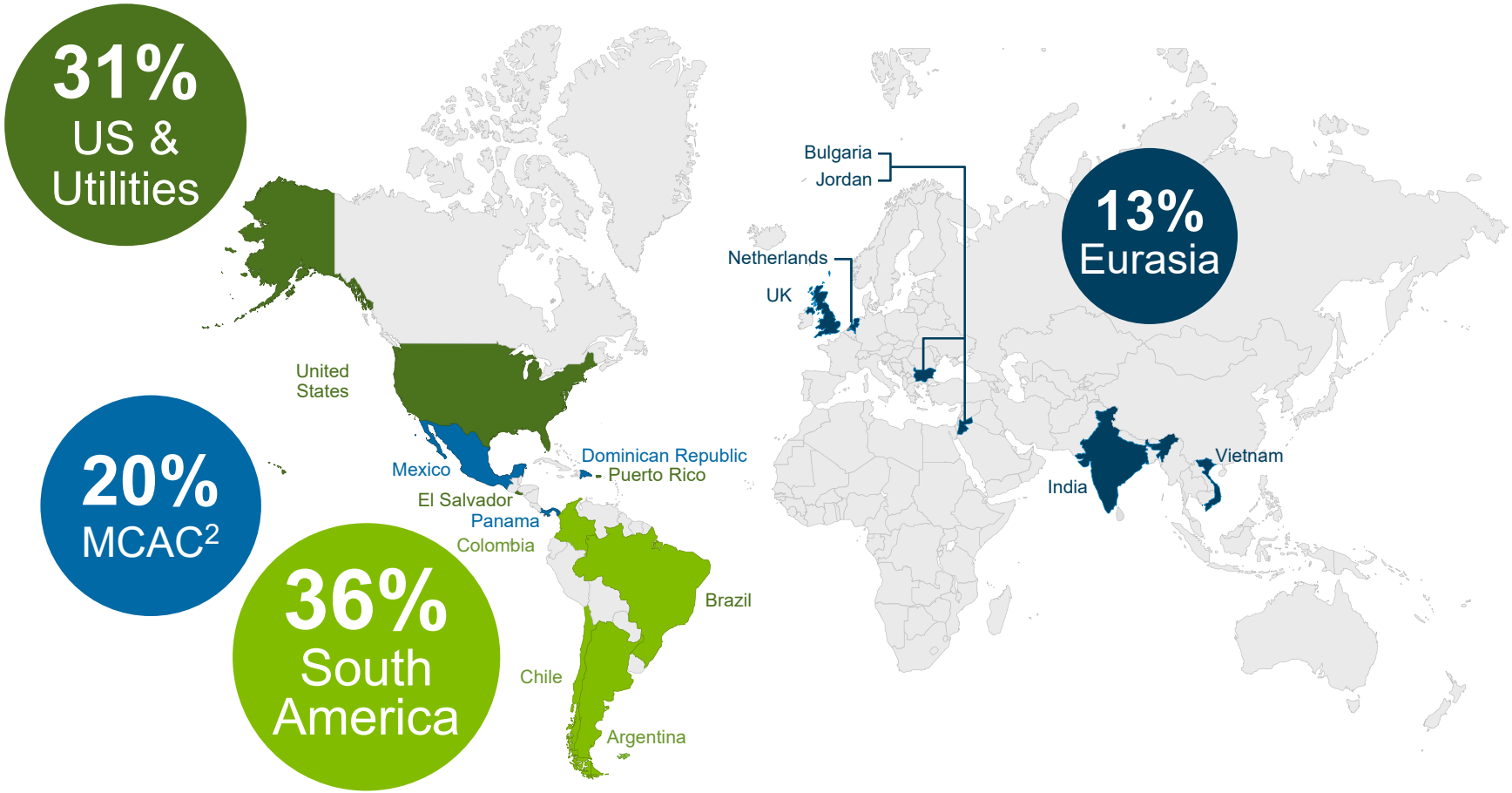
**32,076**
GWh

## AES Values

- Safety
- Excellence
- Integrity
- Fun
- Agility

# Who We Are: Business Managed in Four Strategic Business Units (SBU)

(%) = 2018 Expected Adjusted Pre-Tax Contribution (PTC)[1]




1. A non-GAAP financial measure. See Appendix for definition and reconciliation. 2018 Adjusted PTC of $1.5 billion before Corporate charges of $0.4 billion.
2. Mexico, Central America and the Caribbean.

# Continuing to Transform and Simplify, While Achieving Our Financial Objectives

## Strong Portfolio of Contracted Generation and Regulated Utilities

### Improving Risk Profile

- On track to achieve investment grade
- Reshaping portfolio
  - Improving average contract life
  - Reducing carbon intensity

### Efficiency

- Implemented $100 million cost savings program

### Profitable Growth

- 4 GW under construction
- Delivering attractive returns from renewables, LNG and new technologies

**Attractive Dividend Yield and 8% to 10% Average Annual Growth in Adjusted EPS[1] and Parent Free Cash Flow[1] Through 2020**

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

# Improving Risk Profile

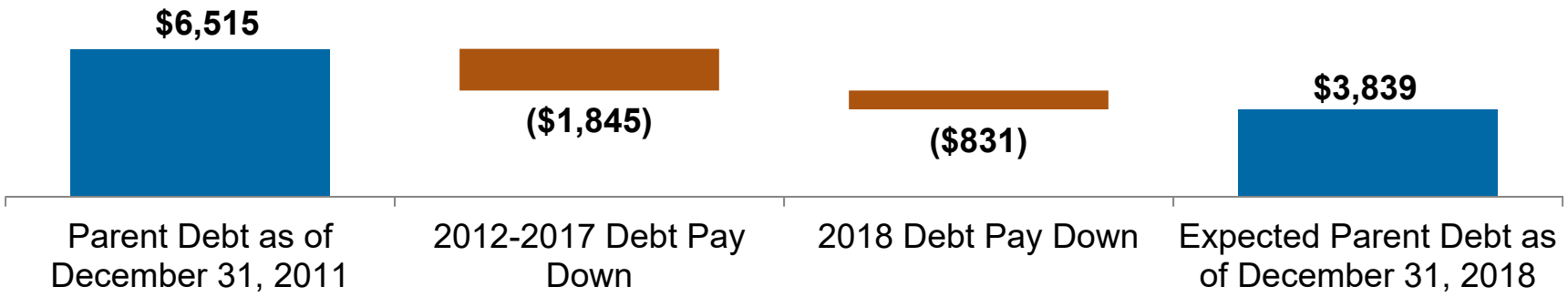
| | 2011 | 2018 | Change |
|---|---|---|---|
| **Impact from Movements in Foreign Currencies, Commodities and Hydrology[1]** | $0.21 | $0.06 | **71%** |
| **Countries with Operations** | 28 | 15 | **13** |
| **Credit Rating** | B+/BB- | BB+ | **2-3 notches** |

1. Annual EPS at risk at a 95% confidence level.

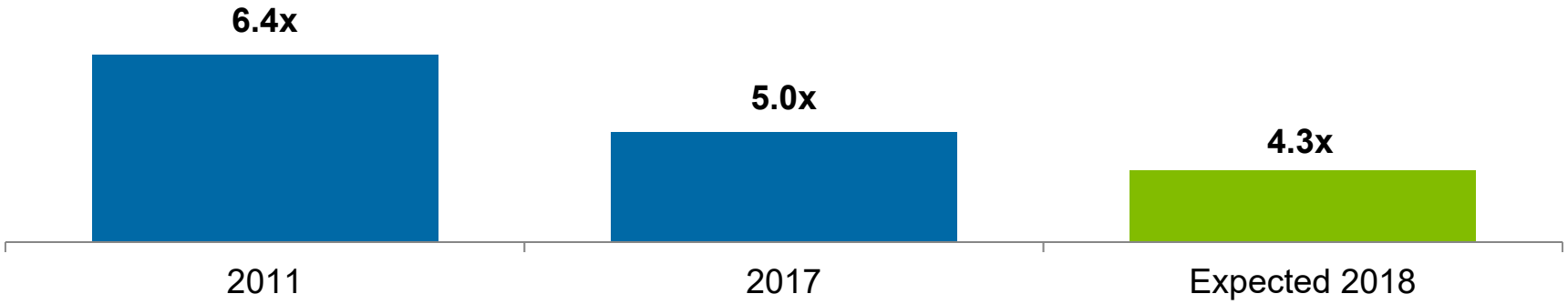
# Improving Risk Profile: Reducing Parent Debt

$ in Millions

## Since 2011, Reduced Parent Debt by $2.7 Billion or 41%

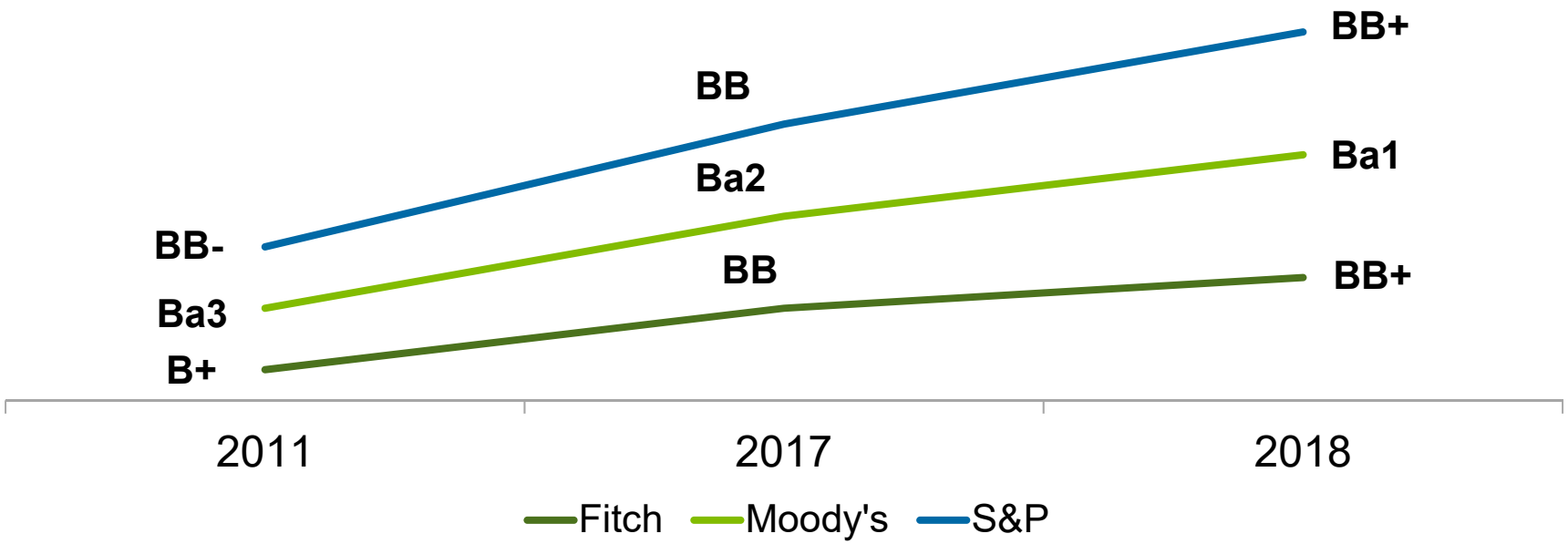



## Improving Parent Leverage
## Debt/(Parent Free Cash Flow[2] + Interest)



# Improving Risk Profile: Positive Actions by Rating Agencies

**Significant Delevering and Portfolio Transformation Reflect in Positive Actions by Rating Agencies**

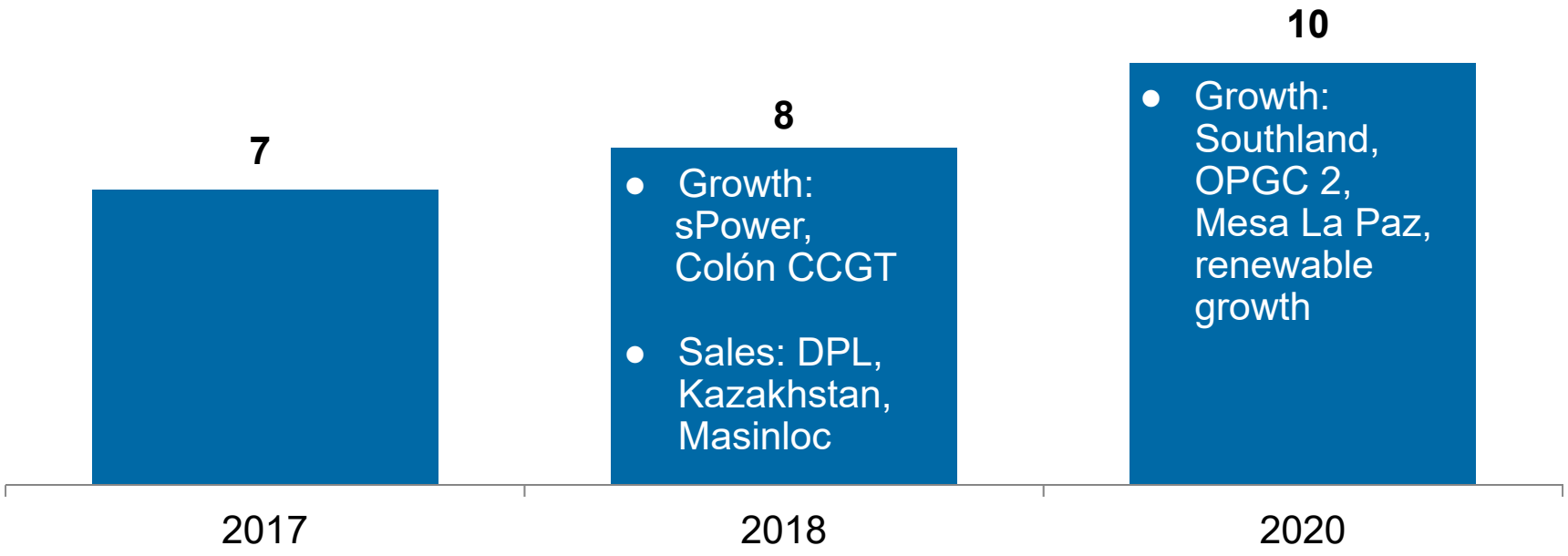



**In 2018, All Three Agencies Upgraded by One Notch**

# Improving Risk Profile: Successfully Extending Contract Duration of Generation Portfolio, Which Represents ~85% of Portfolio Profitability



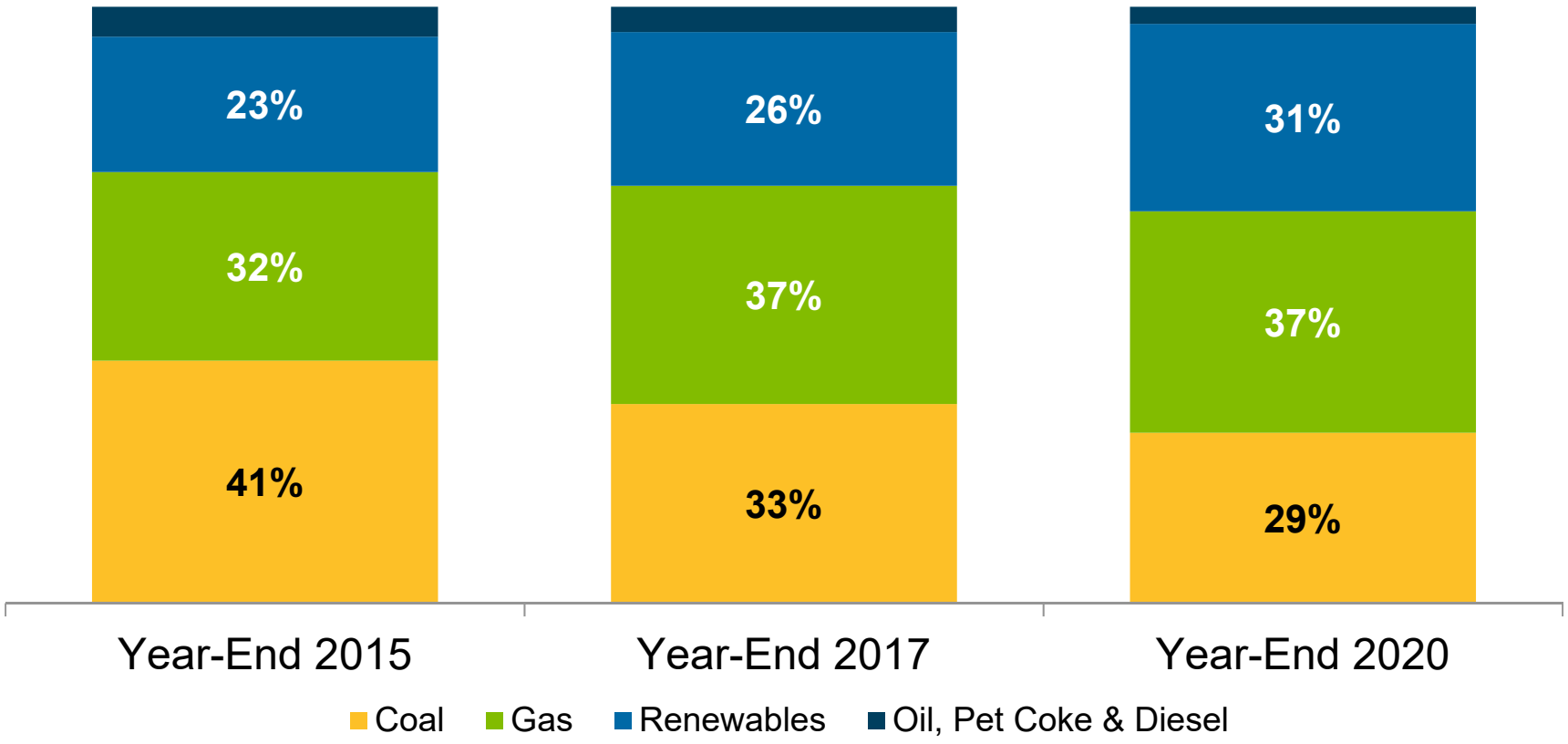
**Average Contract Life (Years)**




**Blended Average Life is 13 Years in 2020, After Considering Regulated Utilities[1], Which Represent ~15% of Portfolio Profitability**

1. Assumes 30-year life as a proxy.

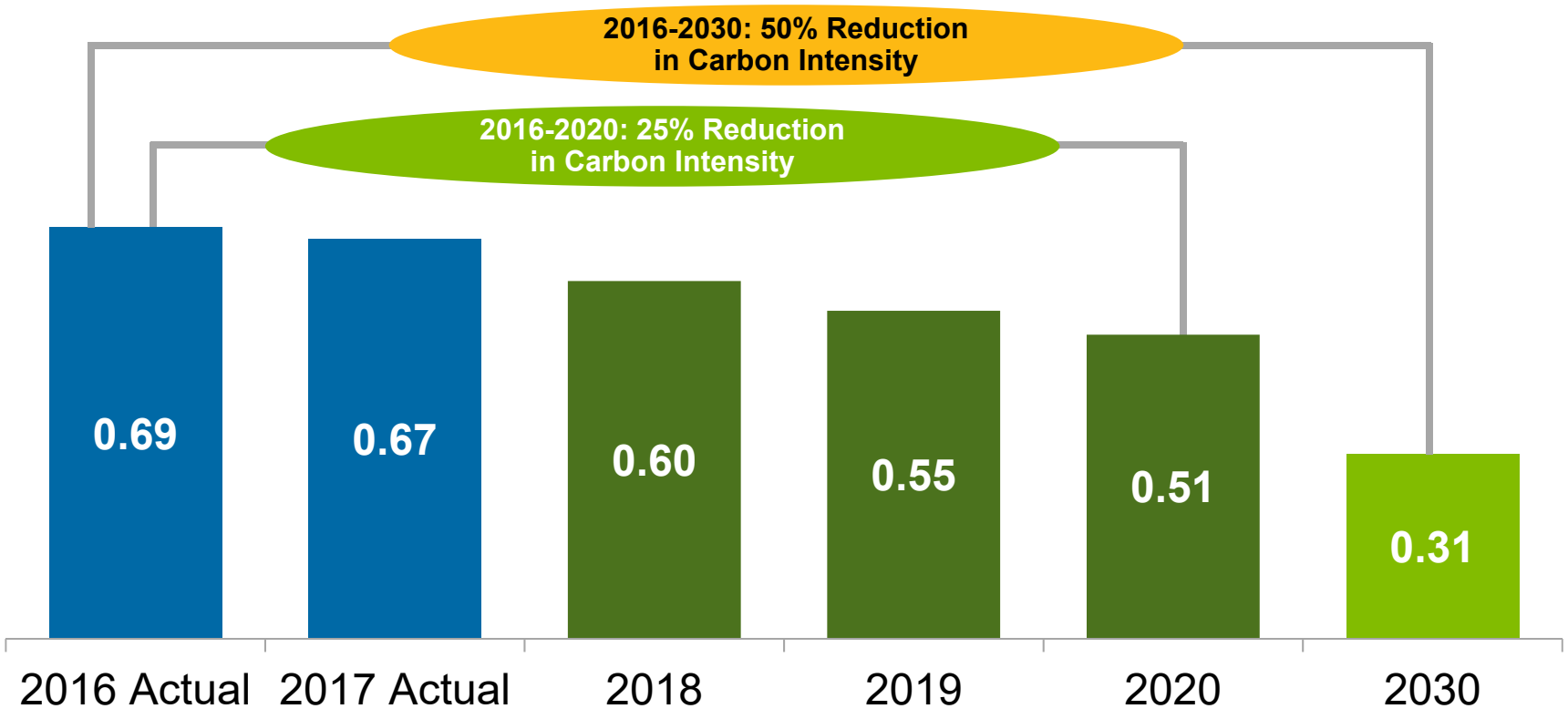
# Improving Risk Portfolio: Replacing Coal Capacity with Renewables and Natural Gas




**In 2017, Announced Exit of 4.3 GW, or 30%, of Coal-Fired Capacity**

# Improving Risk Profile: Carbon Intensity Reduction Targets

## Carbon Intensity (Tons of $CO_2$/MWh of Generation)




**2016-2020: Reduction of 20 Million Tons of $CO_2$ Emissions**

# Enhancing Efficiency: Implemented New $100 Million[1] Annual Recurring Cost Reduction Program

$ in Millions

**Expect to Achieve $500 Million in Cost Savings by 2020**




1. Announced on Q4 2017 call on February 27, 2018.

# Profitable Growth: Southland in California

**1,284 MW CCGT, COD[1]: 1H 2020**
**100 MW Energy Storage, COD[1] 1H 2021**



- 20-year PPAs with Southern California Edison
- Construction proceeding as planned
- 100 MW of 4-hour duration energy storage – world's largest lithium-ion energy storage facility coming on-line in 1H 2021

1. Commercial Operations Date.

# Profitable Growth: Colón in Panama

**380 MW CCGT and 70 TBTU LNG Tank and Regasification Facility**
**COD[1]: 2H 2018 (CCGT) and 2019 (LNG)**



- Achieved first fire of CCGT in April 2018
- Regasification facility near completion
  - Reception of first LNG shipment in June
  - Power plant to utilize only one-third of terminal capacity
- Making good progress on LNG tank
  - Expected completion in 1H 2019

1. Commercial Operations Date.

# Profitable Growth: Pioneering Solar + Storage

## Awarded 47 MW of Solar Plus 34 MW of 5-Hour Duration Energy Storage in Hawaii



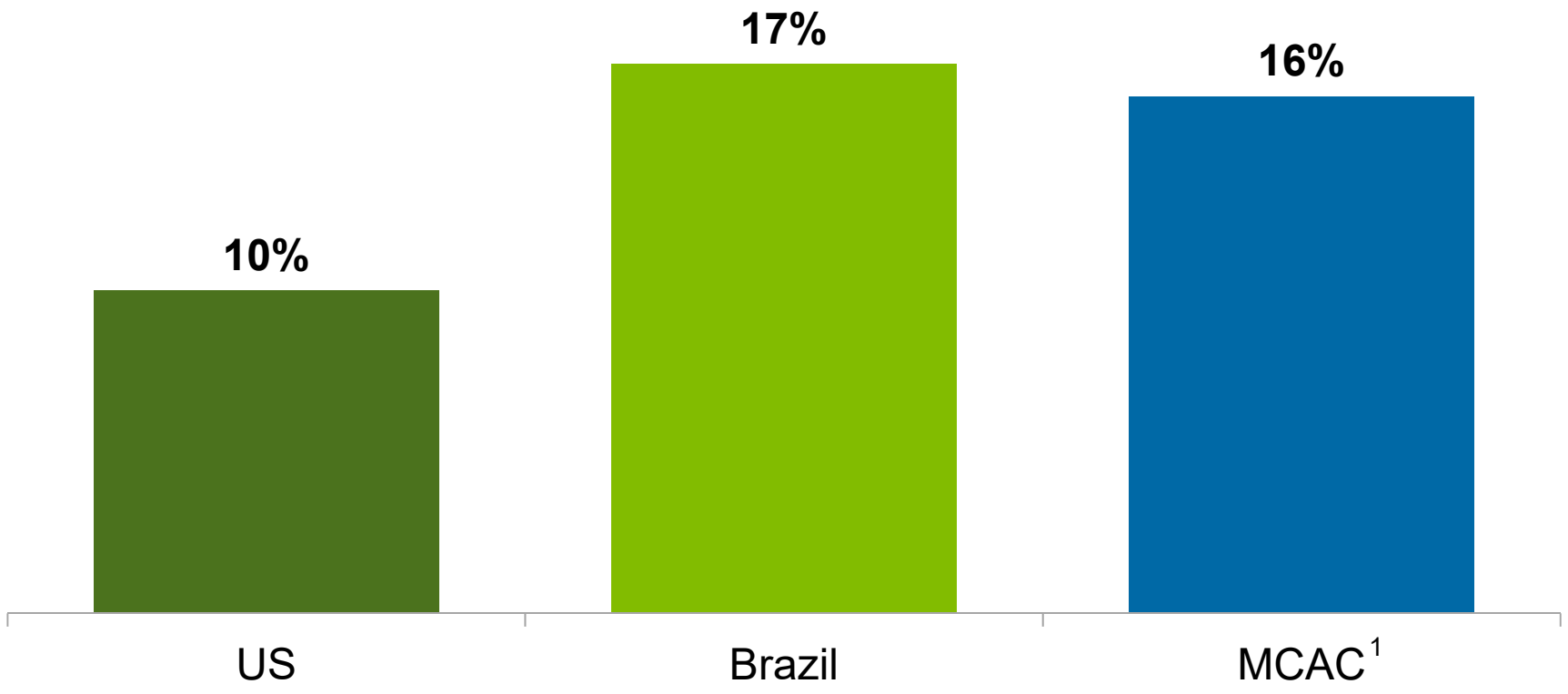
- 25-year PPAs with Kaua'i Island Utility Cooperative (KIUC)
- Provides peaking capacity and 24/7 energy
- At 170 MWh, it will be the biggest solar + storage installation in the world
- COD[1] expected in 2019

1. Commercial Operations Date.

# Profitable Growth: Delivering Attractive Risk-Adjusted Returns

Focus: Natural Gas & Renewables with Long-Term, USD-Denominated Contracts

## Levered After-Tax Returns on 2017 Renewable Growth Investments




1. Mexico, Central America and the Caribbean.

# Profitable Growth: Renewables in the United States and Argentina



## Signed Long-Term PPAs for 838 MW of Solar and Wind

### United States

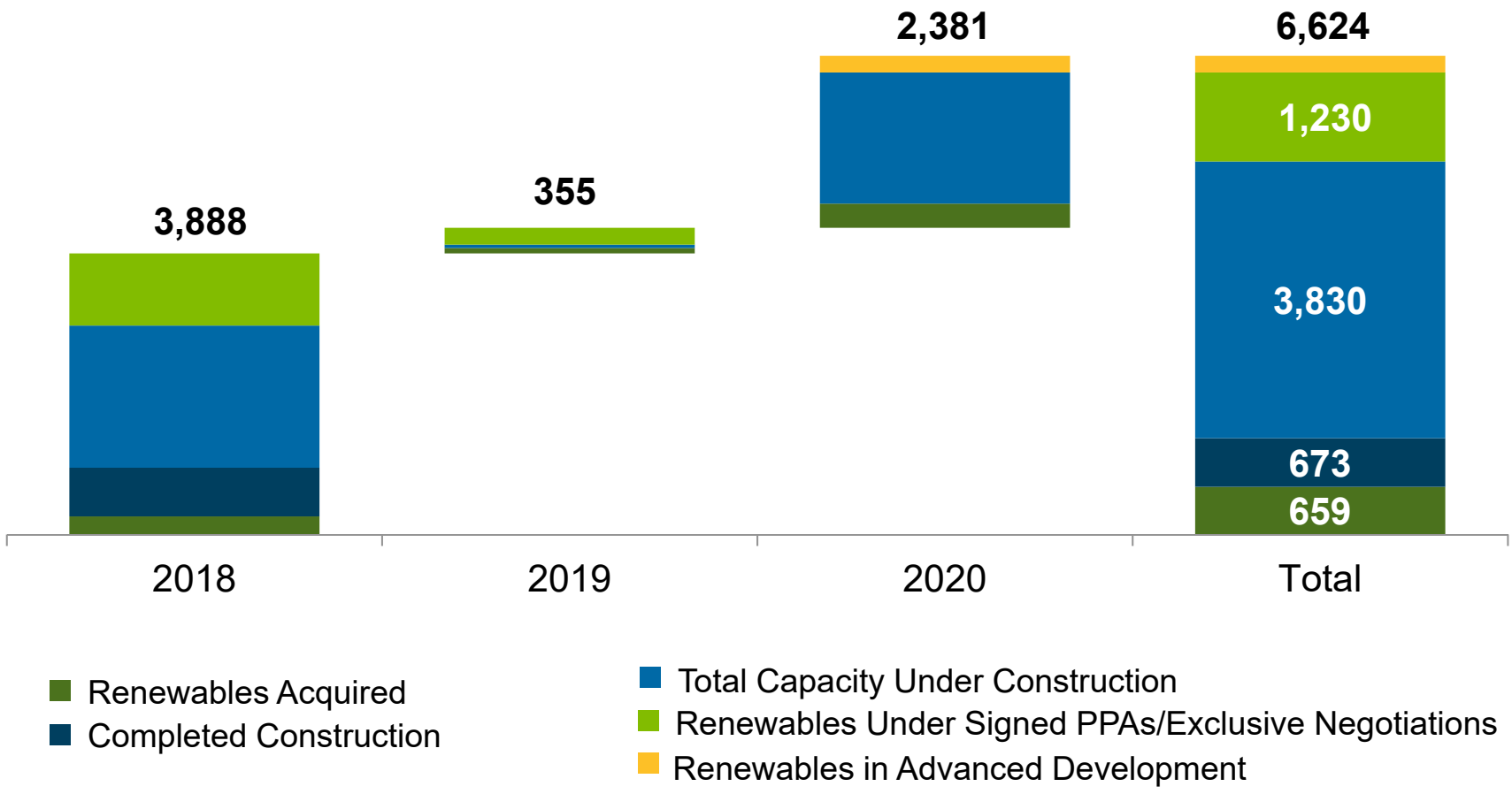
- sPower signed 618 MW of solar and wind PPAs
  - 15-30-year term
- AES Distributed Energy signed 120 MW of solar PPAs
  - 17-25-year term

### Argentina

- AES Argentina agreed to acquire the 100 MW Energética wind development project
  - 20-year, U.S. Dollar-denominated PPA
  - AES Argentina will use local debt capacity to fund the project

## Construction to Begin in 2018; Completion in 2018-2020

# Profitable Growth: Adding up to 6.6 GW of New Capacity Through 2020



# Profitable Growth: Positioned to Benefit from Increased Use of LNG

## Own Only Two LNG Storage Terminals in Central America and the Caribbean with Exporting Capability




- Annual installed capacity of 150 TBTU
- Half of our capacity is contracted and remaining capacity available to meet demand that is expected to grow six-fold, to 800 TBTU per year

# Applying New Technologies

## Fluence Energy Storage Joint Venture with Siemens

FLUENCE
A Siemens and AES Company



- Battery-based energy storage expected to grow ten-fold in five years, to at least 28 GW by 2022
- Our global presence
  - 259 MW in operation
  - 255 MW under construction or signed contracts
- Strong development pipeline
  - Pursuing 2.5 GW of sales opportunities

# Applying New Technologies: Digital Business Platforms

## Improving Customer Experience and Actions

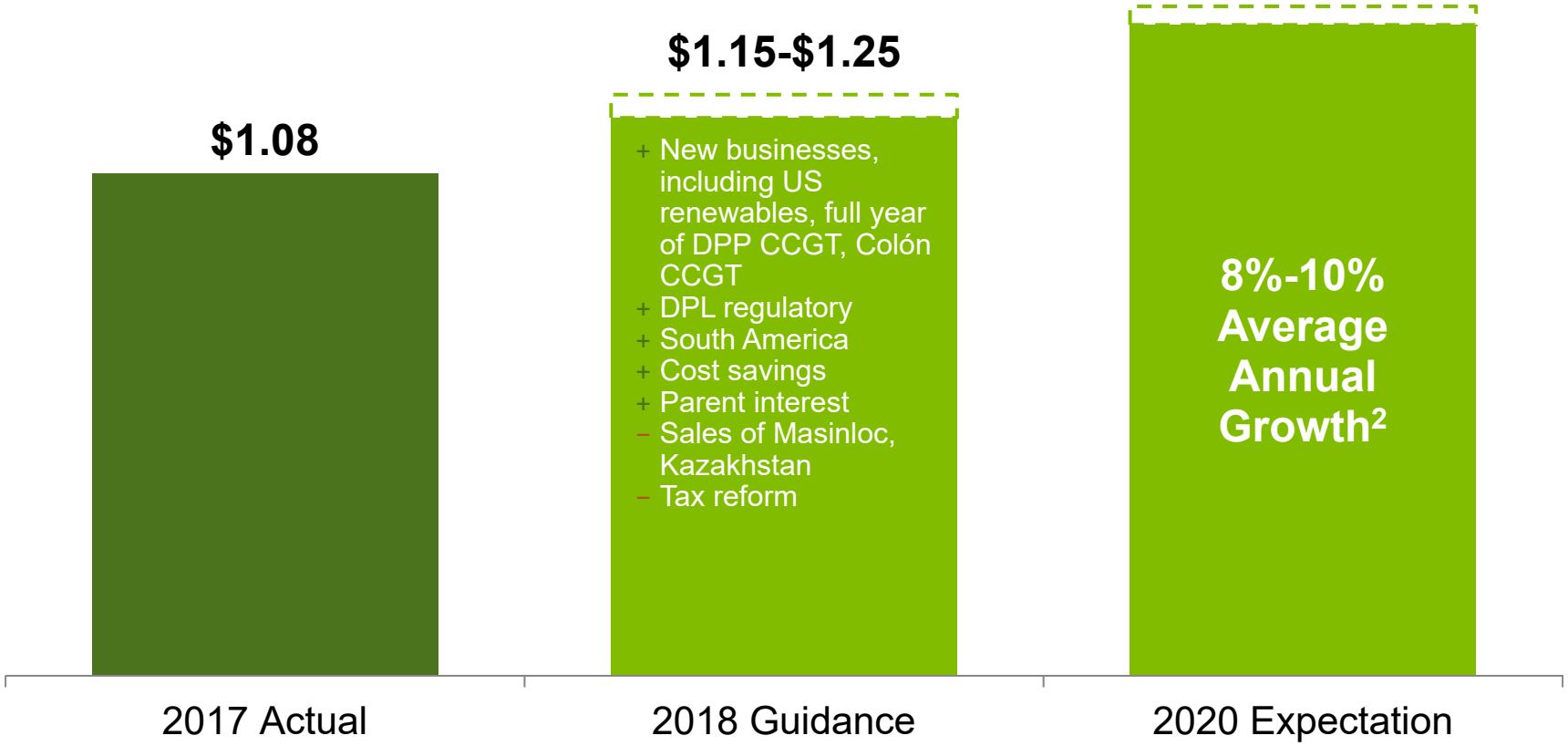
SIMPLE energy

IPL an AES company

DP&L

# Adjusted EPS[1] Guidance and Expectations

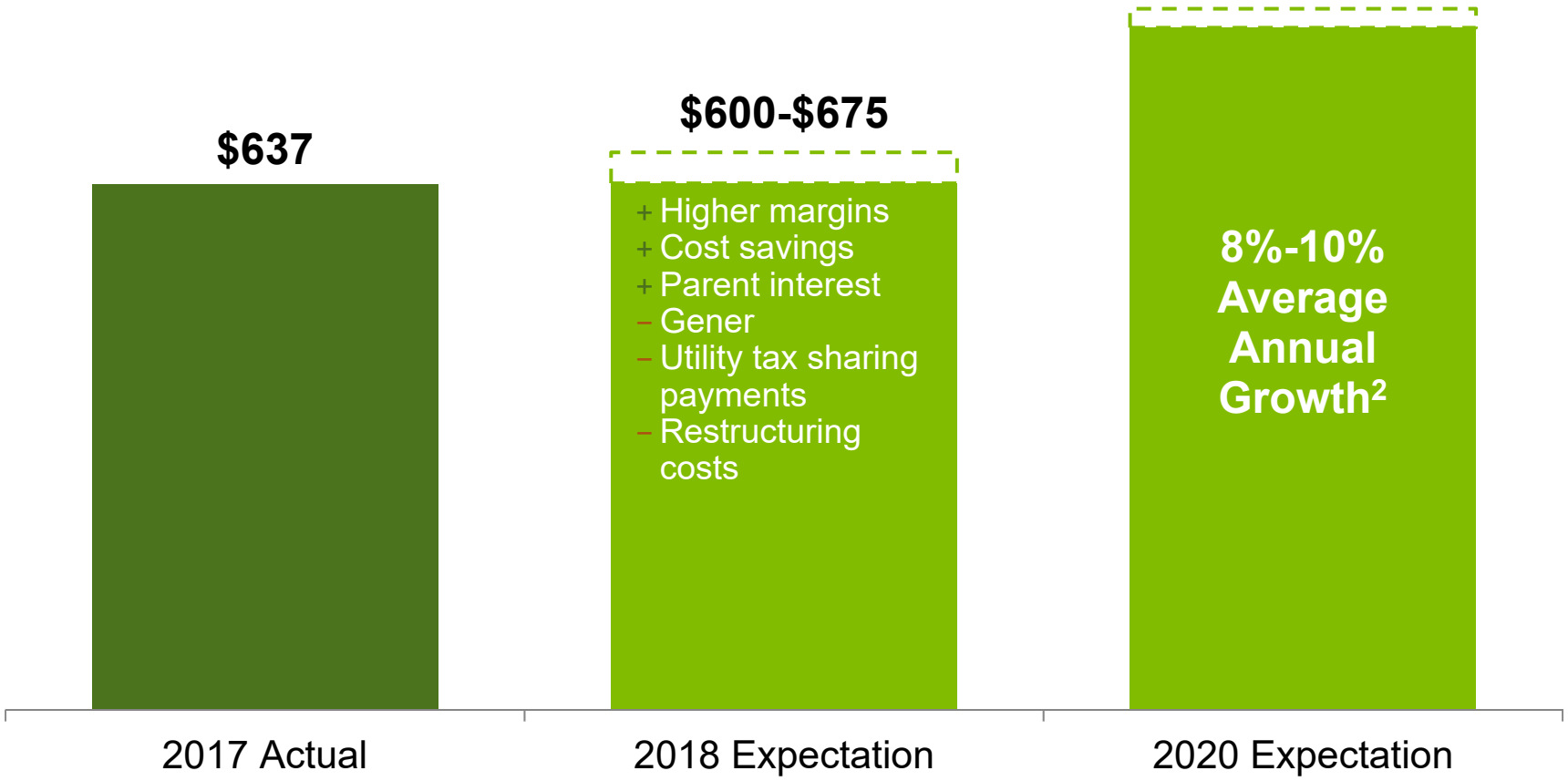
$ Per Share




1. A non-GAAP financial measure. See Appendix for definition. The Company is not able to provide a corresponding GAAP equivalent or reconciliation for its Adjusted EPS guidance without unreasonable effort. See Slide 36 for a description of the adjustments to reconcile Adjusted EPS to diluted EPS for the quarter ended March 31, 2018.
2. From 2017 Adjusted EPS of $1.08.

# Parent Free Cash Flow[1] Expectations

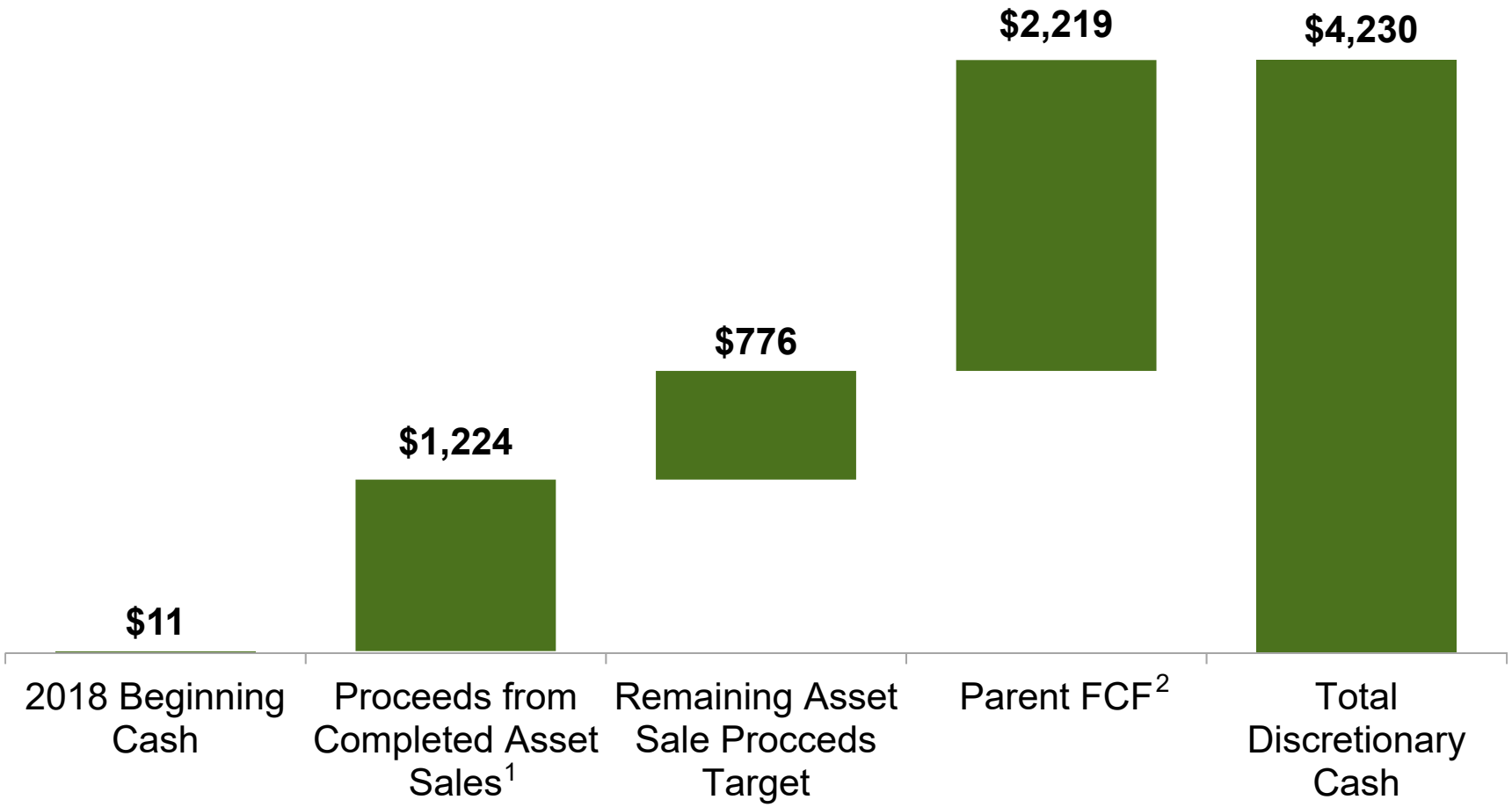
$ in Millions




1. A non-GAAP financial measure. See Appendix for definition.
2. From 2017 Parent Free Cash Flow of $637 million.

# $4.2 Billion in Discretionary Cash Being Generated 2018-2020

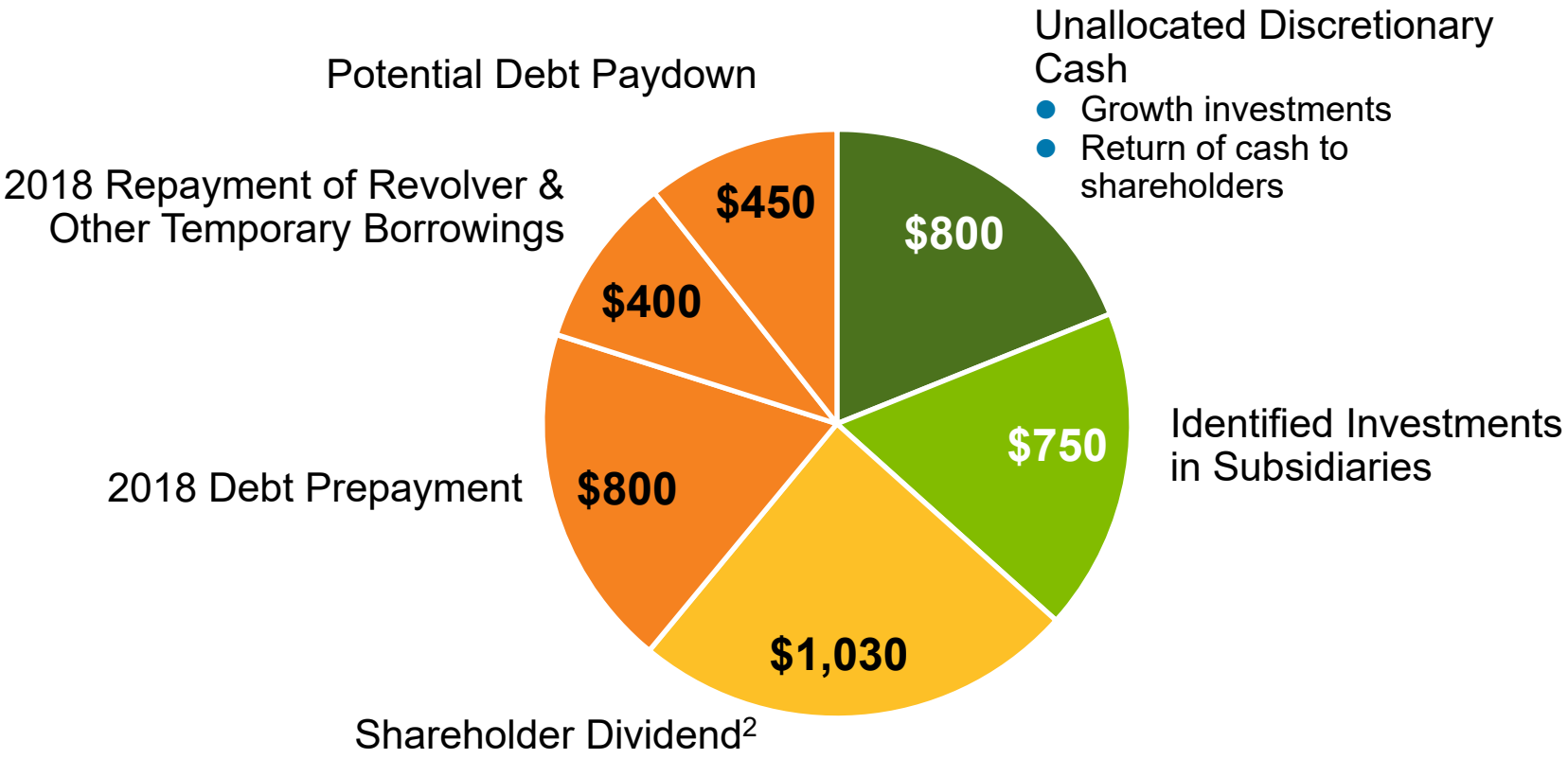
$ in Millions




1. Includes net proceeds of: $968 Masinloc (Philippines) and $256 Eletropaulo (Brazil).
2. A non-GAAP financial measure. See Appendix for definition. Parent Free Cash Flow based on the mid-point of 2018 expectation of $638, plus $1,581 for 2019-2020 (based on the mid-point of our 8%-10% average annual growth rate off 2017 actual of $637).

# 2018-2020: $4.2 Billion[1] of Discretionary Cash Available for Allocation

$ in Millions




**Disciplined Capital Allocation to Maximize Risk-Adjusted Total Shareholder Return**

1. Includes: $11 beginning cash; $2,000 asset sale proceeds; and Parent Free Cash Flow of approximately $2,219. Parent Free Cash Flow based on the mid-point of 2018 expectation of $638, plus $1,581 for 2019-2020 (based on the mid-point of our 8%-10% average annual growth rate off 2017 actual of $637).
2. Assumes constant payment of $0.13 per share each quarter on 660 million shares outstanding.

# Continuing to Transform and Simplify, While Achieving Our Financial Objectives

## Strong Portfolio of Contracted Generation and Regulated Utilities



### Improving Risk Profile

- On track to achieve investment grade
- Reshaping portfolio
  - Improving average contract life
  - Reducing carbon intensity



### Efficiency

- Implemented $100 million cost savings program



### Profitable Growth

- 4 GW under construction
- Delivering attractive returns from renewables, LNG and new technologies

**Attractive Dividend Yield and 8% to 10% Average Annual Growth in Adjusted EPS[1] and Parent Free Cash Flow[1] Through 2020**

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

# Appendix




- Alto Maipo — Slide 28
- Total Debt — Slide 29
- Currencies and Commodities — Slides 30-32
- AES Modeling Disclosures — Slide 33
- 2018 Adjusted PTC[1] Modeling Ranges — Slide 34
- Construction Program — Slide 35
- Reconciliation — Slide 36
- Assumptions & Definitions — Slides 37-38


1. A non-GAAP financial measure.

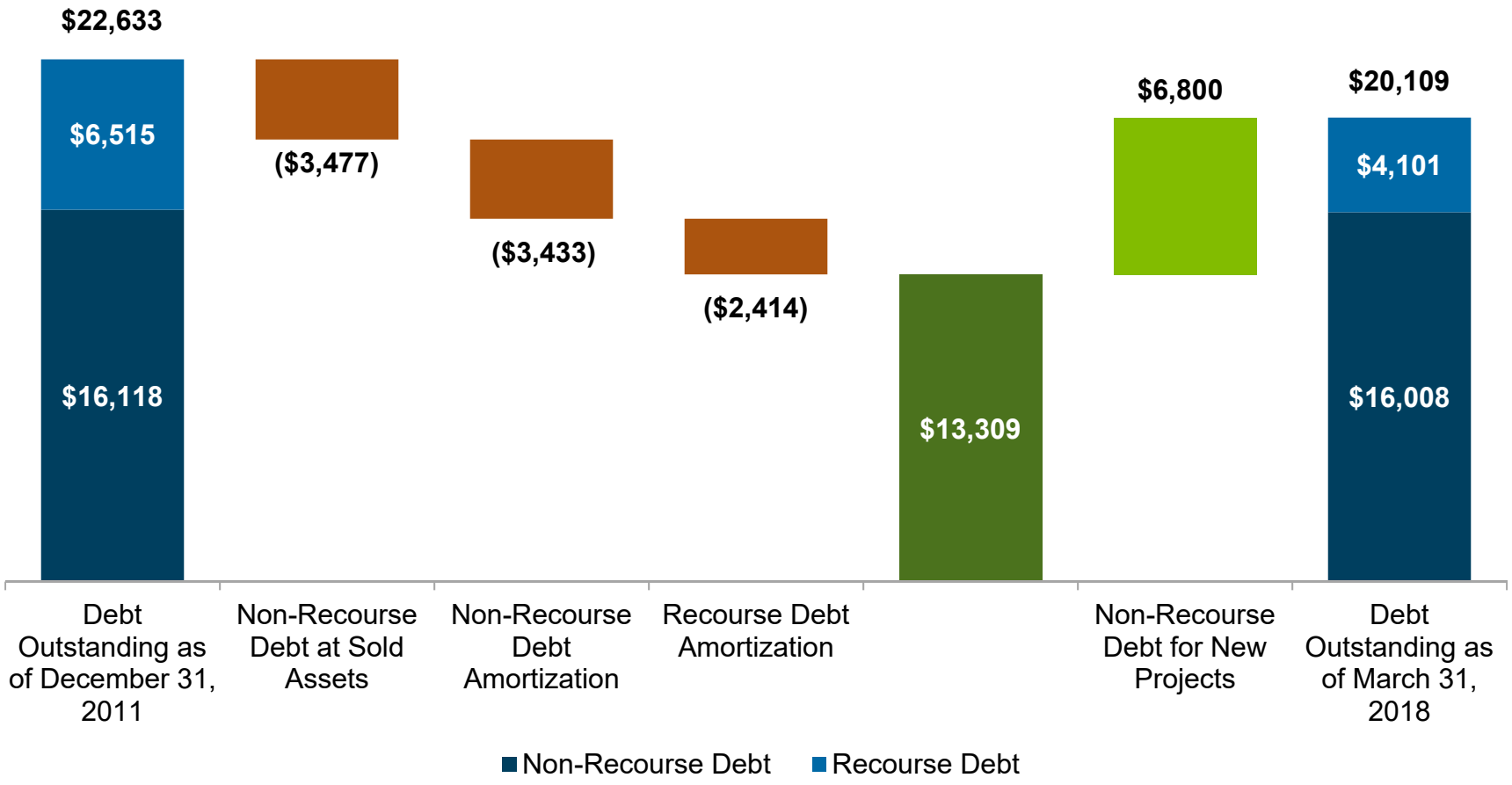
# Completed Restructuring of Alto Maipo

- Significantly reduced the risk associated with the 531 MW Alto Maipo hydro project in Chile
  - Signed a fixed price contract with Strabag, which we expect to be effective this week, upon completion of customary conditions
    - Transfers all geological risks to the contractor
    - Firm completion date
    - Strong performance guarantees
- AES Gener, in which AES has a 67% ownership interest, is committing up to $400 million
  - $200 million, which will be contributed along with additional non-recourse debt
  - Additional $200 million to be paid toward the end of construction and will be used either to fund the remaining project cost, or to prepay project debt
- On an ownership-adjusted basis, AES' investment exposure will increase by $270 million
  - To be funded from locally generated cash flow at AES Gener
  - Already budgeted in prior Parent Free Cash Flow[1] expectations
- Once completed, Alto Maipo will diversify AES Gener's generation mix, reducing its coal weighting in Chile from 72% to 64%

1. A non-GAAP financial measure. See "definitions".

# Reduced Total Debt by 41% Before Re-Levering for New Projects

$ in Millions



# Year-to-Go 2018 Guidance Estimated Sensitivities

## Interest Rates[1]

- 100 bps move in interest rates over year-to-go 2018 is forecasted to have a change in EPS of approximately $0.015

## Currencies

| 10% appreciation in USD against the following key currencies is forecasted to have the following negative EPS impacts: | Year-to-Go 2018 | |
|---|---|---|
| | Average Rate | Sensitivity |
| Brazilian Real (BRL) | 3.35 | Less than $0.005, Long Exposure |
| Colombian Peso (COP) | 2,814 | $0.005, Long Exposure |
| Euro (EUR) | 1.24 | Less than $0.005, Long Exposure |
| Great British Pound (GBP) | 1.41 | Less than $0.005, Long Exposure |
| Argentine Peso (ARS) | 21.93 | Less than ($0.005), Short Exposure |
| Chilean Peso (CLP) | 605 | Less than ($0.005), Short Exposure |

## Commodity

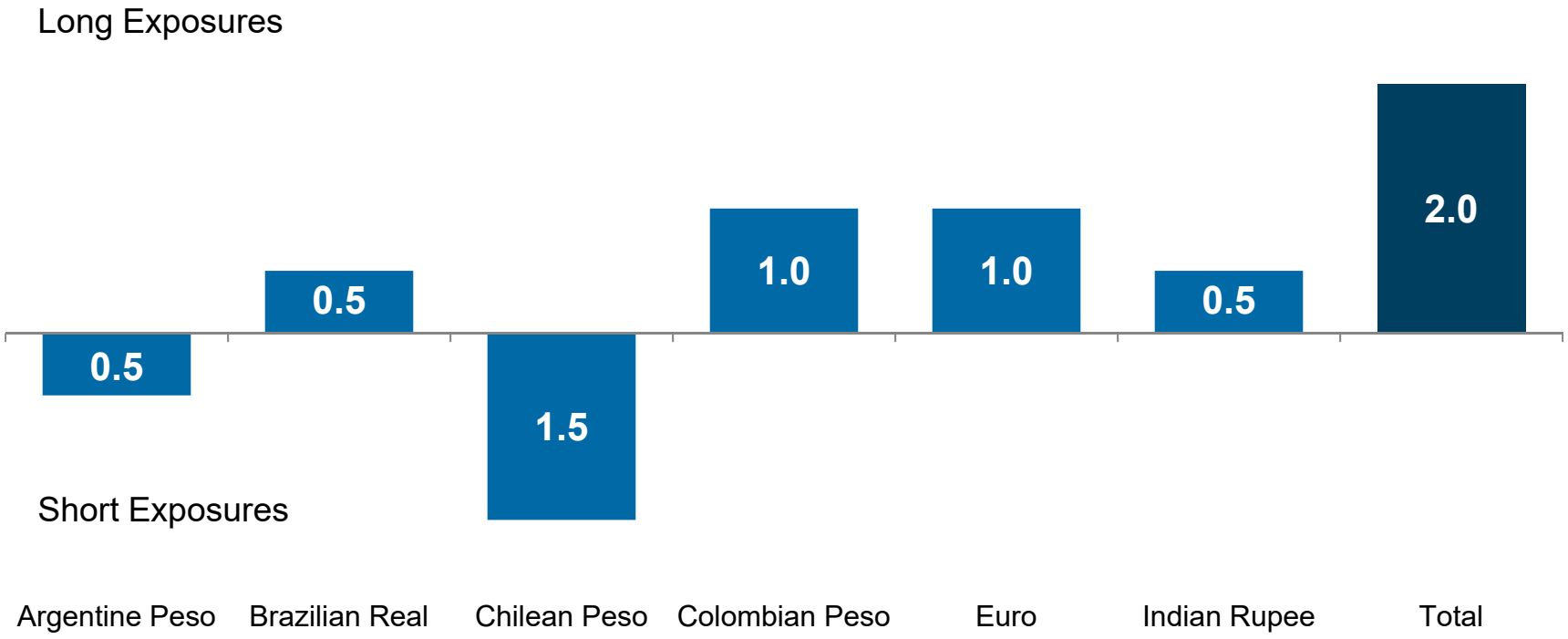
| 10% increase in commodity prices is forecasted to have the following EPS impacts: | Year-to-Go 2018 | |
|---|---|---|
| | Average Rate | Sensitivity |
| Illinois Basin Coal | $37/ton | Less than $0.005, Short Exposure |
| Rotterdam Coal (API 2) | $79/ton | |
| NYMEX WTI Crude Oil | $63/bbl | $0.005, Long Exposure |
| IPE Brent Crude Oil | $68/bbl | |
| NYMEX Henry Hub Natural Gas | $2.8/mmbtu | $0.005, Long Exposure |
| UK National Balancing Point Natural Gas | £0.5/therm | |
| US Power (DPL) – PJM AD Hub | $30/MWh | $0.005, Long Exposure |

Note: Guidance provided on May 8, 2018. 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 2018 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 2018 guidance is based on currency and commodity forward curves and forecasts as of March 31, 2018. 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-K 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, 2018.

# Foreign Exchange (FX) Risk Before Hedges

## Full Year 2020 FX Sensitivity by Currency[1] (Cents Per Share, Exposures Before Hedges)



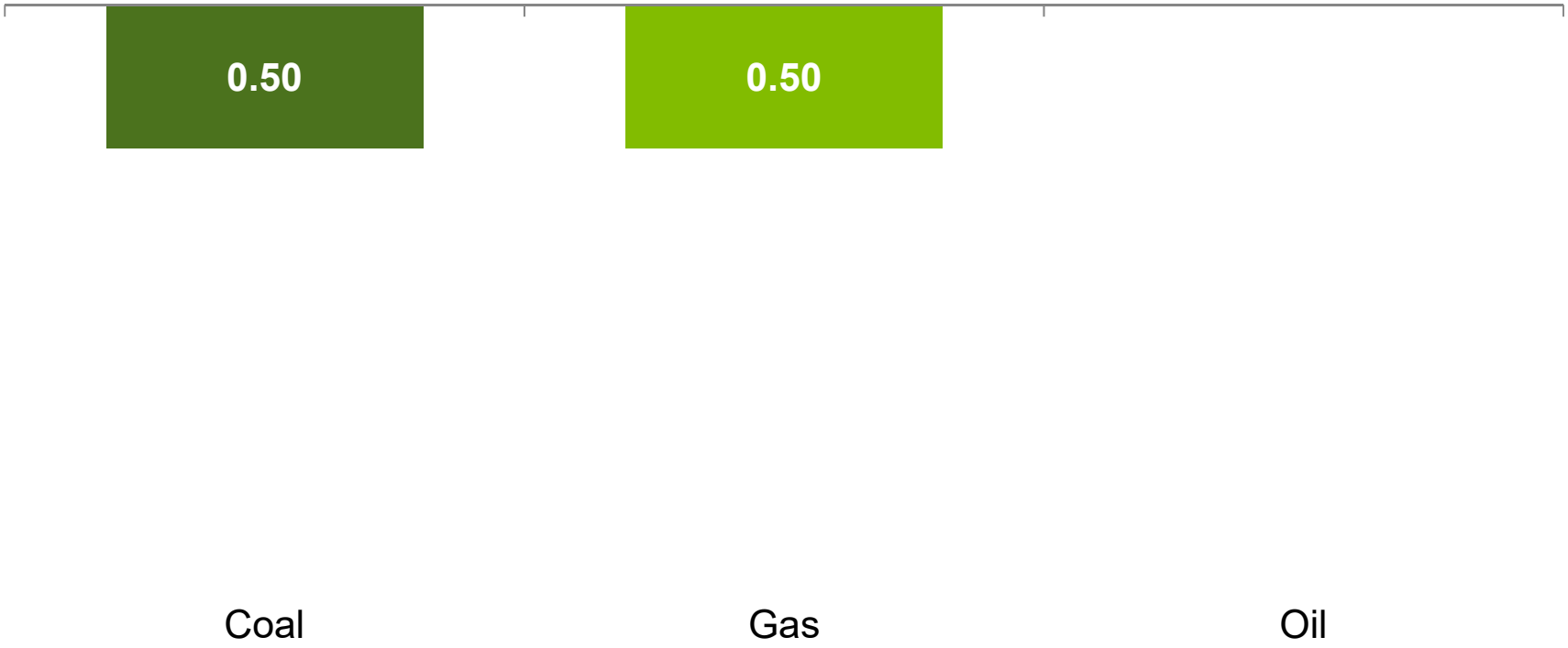

- 2020 correlated FX risk before hedges is $0.02 for 10% USD appreciation
- FX risk mitigated on a rolling basis by active FX hedging

1. Sensitivity represents full year 2020 exposure to a 10% appreciation of USD relative to foreign currency as of December 31, 2017.

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

Cents Per Share

**Full Year 2020 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% relative to commodities as of December 31, 2017. 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 | 2018 |
|---|---|---|
| **Subsidiary Distributions (a)** | **$1,203** | **$1,100-$1,175** |
| **Cash Interest (b)** | **($290)** | **($250)** |
| Corporate Overhead | ($179) | ($140) |
| Parent-Funded SBU Overhead | ($93) | ($90) |
| Business Development | ($4) | ($20) |
| **Cash for Development, General & Administrative and Tax (c)** | **($276)** | **($250)** |
| **Parent Free Cash Flow[1] (a – b – c)** | **$637** | **$600-$675** |

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

# 2018 Adjusted PTC Modeling Ranges

$ in Millions

| SBU | 2018 Adjusted PTC Modeling Ranges as of 5/8/18[1] | Drivers of Growth Versus 2017 |
|---|---|---|
| US and Utilities | $440-$500 | + Solar<br>+ DPL regulatory<br>+ 2017 impact of hurricanes<br>– Pass through of tax reform at IPL |
| South America | $530-$590 | + Argentina reforms<br>+ Higher generation at Chivor<br>+ Higher generation in Chile<br>– 2017 gain on legal settlement |
| MCAC | $300-$330 | + Full year of DPP CCGT |
| Eurasia | $180-$210 | – Masinloc<br>– Kazakhstan |
| **Total SBUs** | **$1,450-$1,630** | |
| Corporate & Other[2] | ($340)-($380) | + G&A savings<br>+ Parent interest |
| **Total AES Adjusted PTC[1.2]** | **$1,110-$1,250** | |

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

# Construction Pipeline Details

## $ in Millions, Unless Otherwise Stated

| Project | Country | AES Ownership | Fuel | Gross MW | Expected COD | Total Capex | Total AES Equity | Comments |
|---|---|---|---|---|---|---|---|---|
| **Construction Projects Coming On-Line 2018-2020** | | | | | | | | |
| Global Renewables | Various | 24%-100% | Solar/Energy Storage | 315 | 1H-2H 2018 | $433 | $95 | |
| Colón | Panama | 50% | Gas | 380 | 2H 2018 | $1,003 | $201 | Regasification and LNG storage tank expected on-line in 2019 |
| OPGC 2 | India | 49% | Coal | 1,320 | 2H 2018 | $1,585 | $227 | |
| Southland Repowering | US-CA | 100% | Gas | 1,284 | 1H 2020 | $2,287 | $329 | Excludes 100 MW of energy storage expected to come on-line in 1H 2021 |
| Alto Maipo | Chile | 62% | Hydro | 531 | 2H 2020 | $3,439 | $683 | Previous Total Capex of $2,513 |
| **Total** | | | | **3,830** | | **$8,747** | **$1,535** | |

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

| $ in Millions, Except Per Share Amounts | Q1 2018 | | Q1 2017 | |
|---|---|---|---|---|
| | 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, Net of Tax, Attributable to AES and Diluted EPS | $685 | $1.03 | ($24) | ($0.04)[3] |
| Add: Income Tax Expense Attributable to AES | $198 | | $20 | |
| Pre-Tax Contribution | $883 | | ($4) | |
| **Adjustments** | | | | |
| Unrealized Derivative and Equity Securities Losses (Gains) | $12 | $0.02 | ($1) | - |
| Unrealized Foreign Currency Transaction (Gains) | ($3) | - | ($9) | ($0.01) |
| Disposition/Acquisition Losses (Gains) | ($778) | ($1.17)[4] | $52 | $0.08[5] |
| Impairment Expense | - | - | $168 | $0.25[6] |
| Losses (Gains) on Extinguishment of Debt | $171 | $0.26[7] | ($16) | ($0.02)[8] |
| Restructuring Costs | $3 | - | - | - |
| Less: Net Income Tax Expense (Benefit) | - | $0.14[9] | - | ($0.09)[10] |
| **Adjusted PTC[1] & Adjusted EPS[1]** | **$288** | **$0.28** | **$190** | **$0.17** |

1. Non-GAAP financial measures. See “definitions”.
2. NCI is defined as Noncontrolling Interests.
3. Diluted loss per share under GAAP excludes common stock equivalents from the weighted average shares outstanding of 659 million as their inclusion would be anti-dilutive. However, for the calculation of Adjusted EPS, 3 million of dilutive common stock equivalents were included in the weighted average shares outstanding of 662 million.
4. Amount primarily relates to gain on sale of Masinloc of $777 million, or $1.17 per share.
5. 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.
6. Amount primarily relates to asset impairments at Kazakhstan of $94 million, or $0.14 per share and at DPL of $66 million, or $0.10 per share.
7. Amount primarily relates to loss on early retirement of debt at the Parent Company of $169 million, or $0.26 per share.
8. Amount primarily relates to 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.
9. Amount primarily relates to the income tax expense under the GILTI provision associated with gain on sale of Masinloc of $155 million, or $0.23 per share, partially offset by income tax benefits associated with the loss on early retirement of debt at the Parent Company of $53 million, or $0.08 per share.
10. 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.

# 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 and equity securities; (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; (e) gains, losses and costs due to the early retirement of debt; (f) costs directly associated with a major restructuring program, including, but not limited to, workforce reduction efforts, relocations, and office consolidation; and (g) tax benefit or expense related to the enactment effects of 2017 U.S. tax law reform.
- **Adjusted Pre-Tax Contribution**, a non-GAAP financial measure, is defined as pre-tax income from continuing operations attributable to The AES Corporation excluding gains or losses of the consolidated entity due to (a) unrealized gains or losses related to derivative transactions and equity securities; (b) unrealized foreign currency gains or losses; (c) gains, losses and associated benefits and costs due to dispositions and acquisitions of business interests, including early plant closures; (d) losses due to impairments; (e) gains, losses and costs due to the early retirement of debt; and (f) costs directly associated with a major restructuring program, including, but not limited to, workforce reduction efforts, relocations, and office consolidation. 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. Adjusted PTC reflects the impact of NCI and excludes the items specified in the definition above. In addition to the revenue and cost of sales reflected in Operating Margin, Adjusted PTC includes the other components of our income statement, such as general and administrative expenses in the corporate segment, as well as business development costs, interest expense and interest income, other expense and other income, realized foreign currency transaction gains and losses, and net equity in earnings of affiliates.
- **NCI** is defined as noncontrolling interests.
- **Parent Company Liquidity** (a non-GAAP financial measure) is defined as as cash available to the Parent Company plus available borrowings under existing credit facility plus cash at qualified holding companies ("QHCs"). The cash held at qualified holding companies represents cash sent to subsidiaries of the Company domiciled outside of the U.S. Such subsidiaries have no contractual restrictions on their ability to send cash to the Parent Company.
- **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.