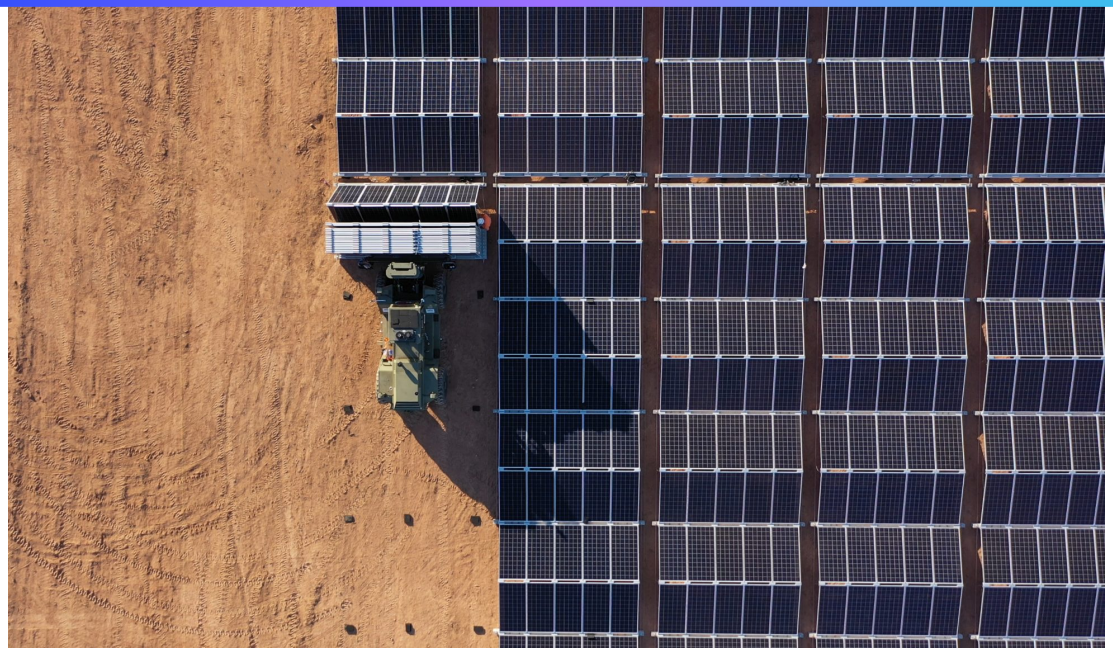
The AES Corporation





September 2021

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, the impact of the COVID-19 pandemic on our business, 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 the execution of PPAs, conversion of our backlog and growth from investments at investment levels and rates of return consistent with prior experience. For additional assumptions see 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' 2020 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.

Investment Highlights

→ The scale and urgency of the opportunity is upon us
- Digitalization, decarbonization and electrification are driving a massive transformation of the electric sector
- The clean energy transition will require ~$100 trillion[1] of investment through 2050
- 12,000 GW[1] of renewables and energy storage additions expected through 2050

→ AES is a sustainable business with mostly contracted generation and utilities
- ~85% contracted with average remaining contract life of 13 years
- >80% denominated in US Dollars
- Demonstrated track record (attractive growth in dividend, Adjusted EPS[2] and Parent Free Cash Flow[2])
- Investment grade rated balance sheet

→ We are uniquely positioned to lead the transformation
- One of the largest renewable developers (~4 GW annual growth)
- 8.5 GW of contracted backlog
- 37 GW global development pipeline

→ AES is a leading integrator of technologies to meet customer demand
- Fluence; Uplight; 5B and more

→ We have a clearly defined green growth plan, to be funded largely through internally-generated cash
- Targeting ~2/3 investments in the US; >90% investments in renewables and utilities

→ 7% to 9% average annual growth target for Adjusted EPS[2] and Parent Free Cash Flow[2] through 2025

→ Attractive valuation (15.5x Price/2021 Adjusted EPS[2] estimates vs. S&P 500 Index ~22x and S&P Utilities Index ~21x)[3]

1. Based on the mid-point of Bloomberg New Energy Finance's (BNEF) New Energy Outlook 2020 clean electricity and green hydrogen pathway.
2. A non-GAAP financial measure. See Appendix for definition.
3. As of September 13, 2021.

The Clean Energy Transition will Require ~$100 Trillion[1] Investment through 2050

12,000 GW[1] of Renewables and Energy Storage Additions by 2050

Digital Revolution
The Digitalization of Everything, Redefining Markets



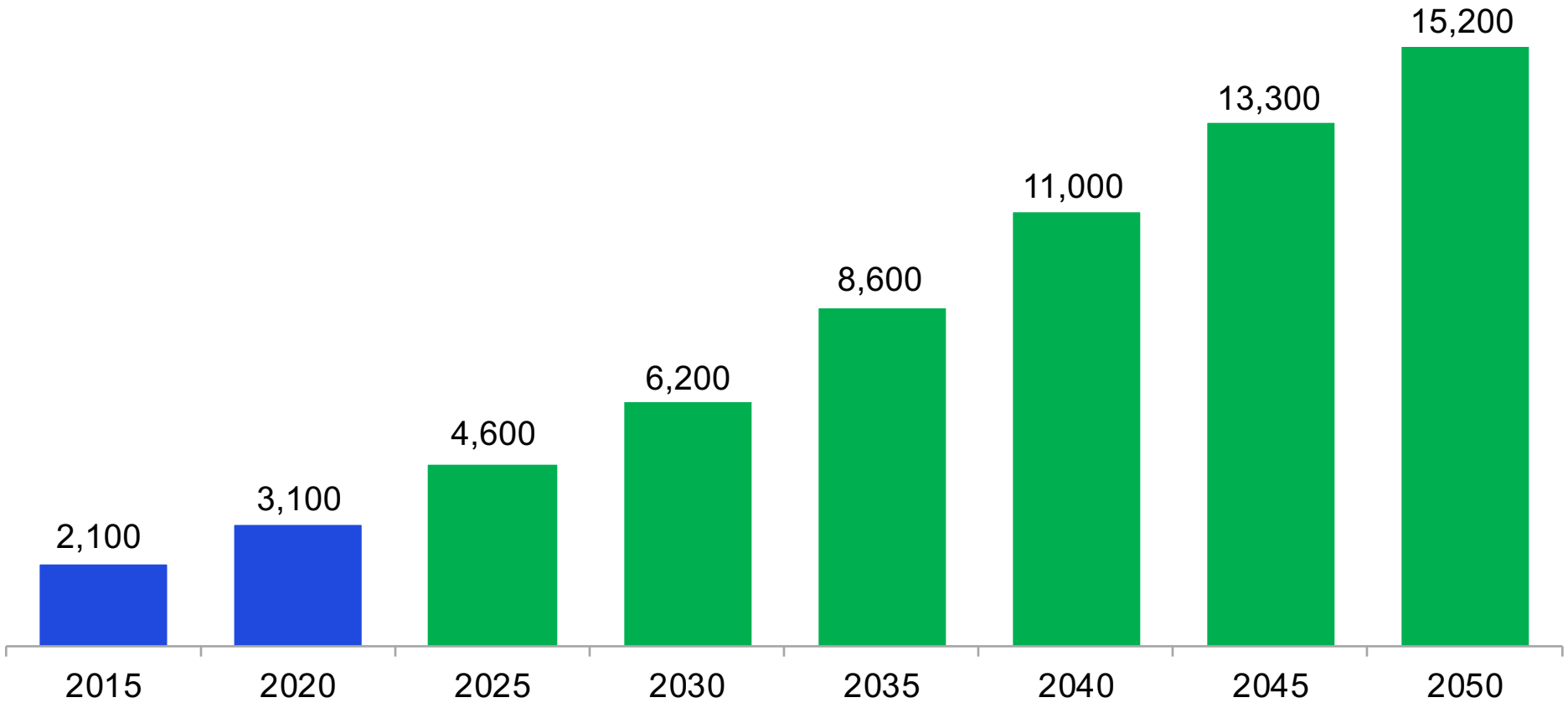
Decarbonization Revolution
Moving to Carbon-Free Energy Globally

2nd Electric Revolution
The Electrification of Everything

1. Based on the mid-point of Bloomberg New Energy Finance's (BNEF) New Energy Outlook 2020 clean electricity and green hydrogen pathway.

Renewables Expected to Grow 5X

Cumulative Capacity in GW



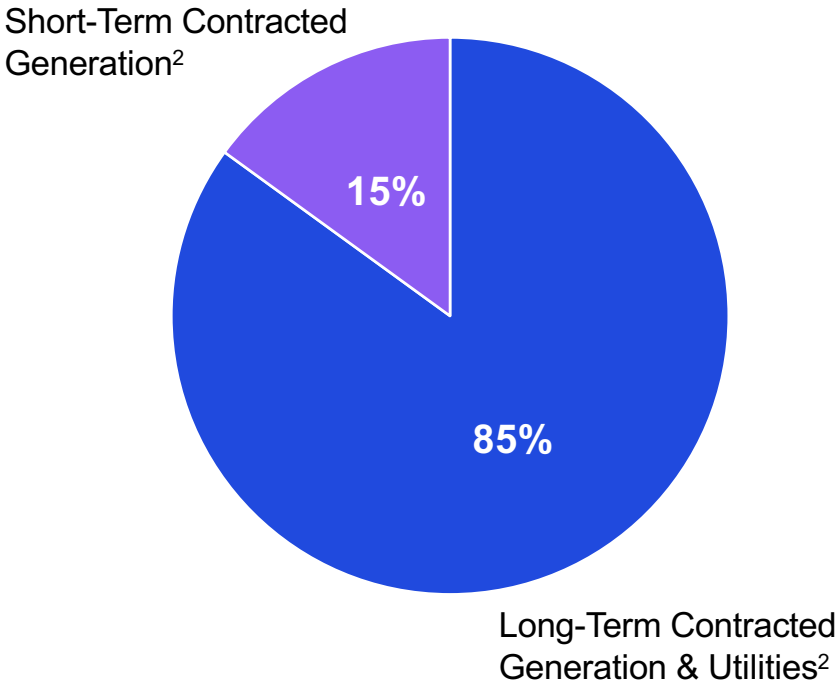
Source: BNEF New Energy Outlook Data as of December 2020.

The RE100 is 100% Committed to a Greener Future by 2030

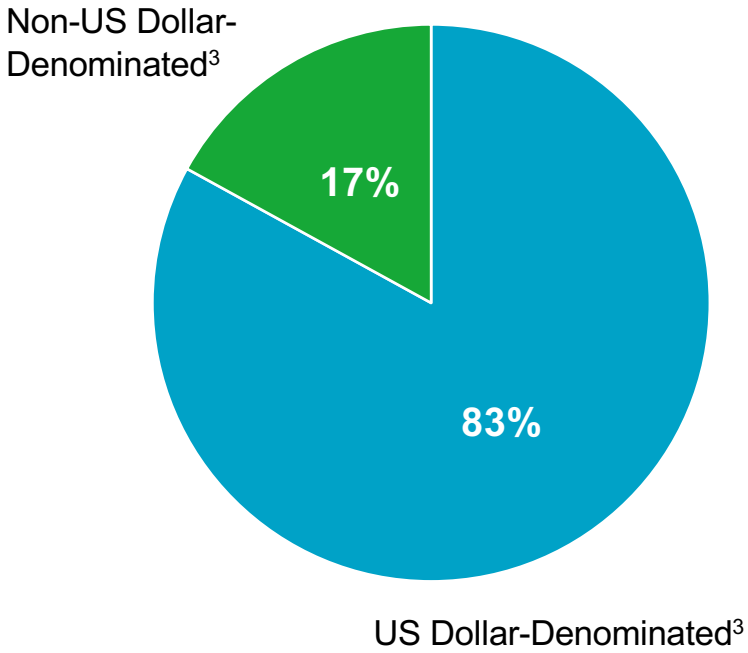


AES is a Sustainable Business with Mostly Contracted Generation & Utilities

~85% of Adjusted PTC[1] From Long-Term Contracted Generation & Utilities



>80% of Adjusted PTC[1] is in US Dollars

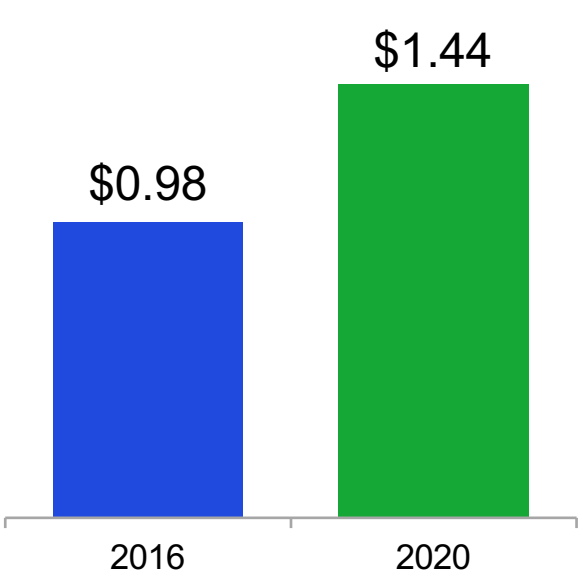


1. A non-GAAP financial measure. See Appendix for definition.
2. As of January 1, 2021. Short-term is defined as the percent of Adjusted PTC that comes from businesses with average contracted periods of four years or less.
3. 2021-2023 cumulative exposure as of June 30, 2021.

Proven Track Record

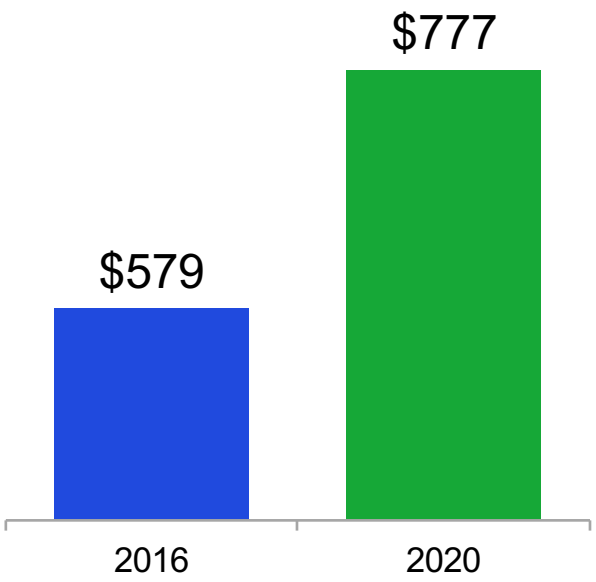
10% Annual Growth in Adjusted EPS[1]

$ Per Share



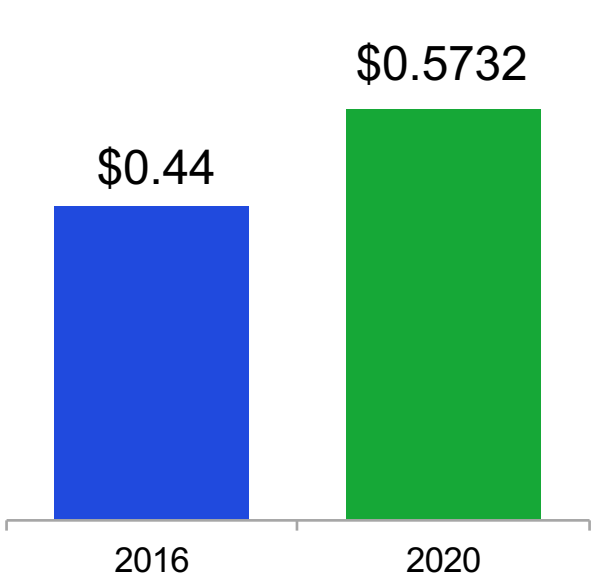
8% Annual Growth in Parent Free Cash Flow[1]

$ in Millions



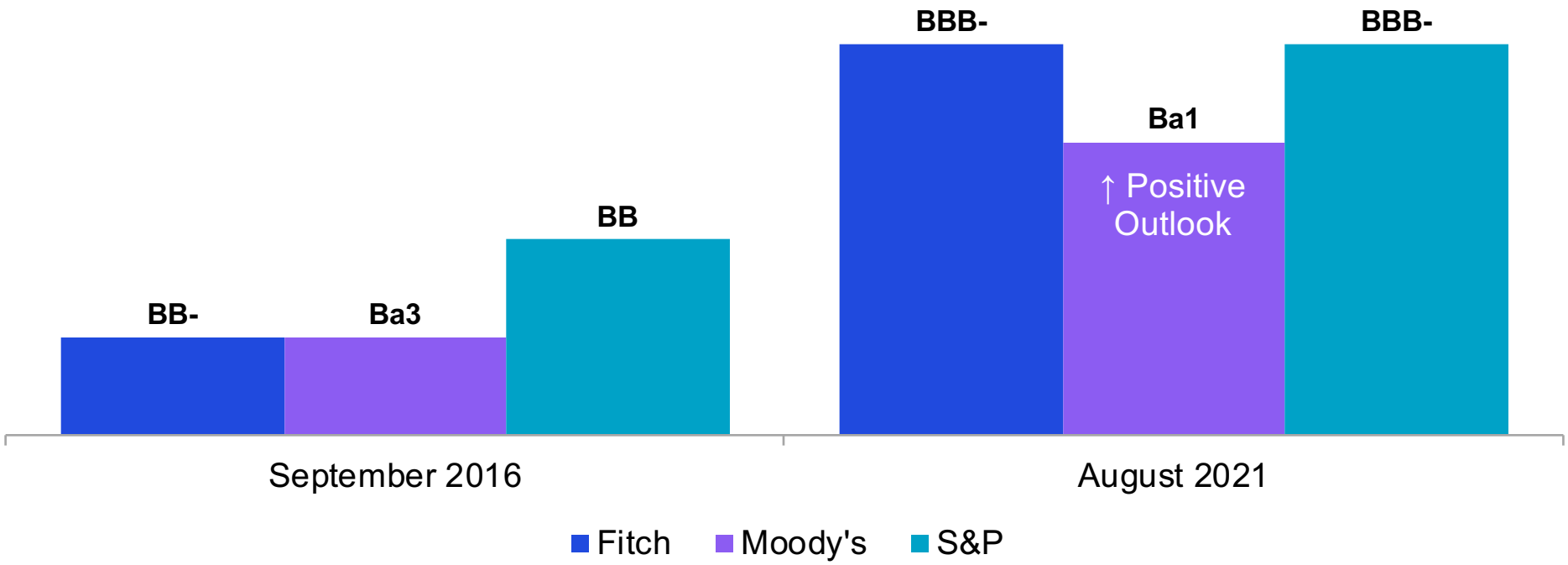
7% Annual Growth in Dividend

$ Per Share



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

Continuing Positive Momentum on Ratings Improvement: In August, Moody's Changed Outlook to Ba1 Positive



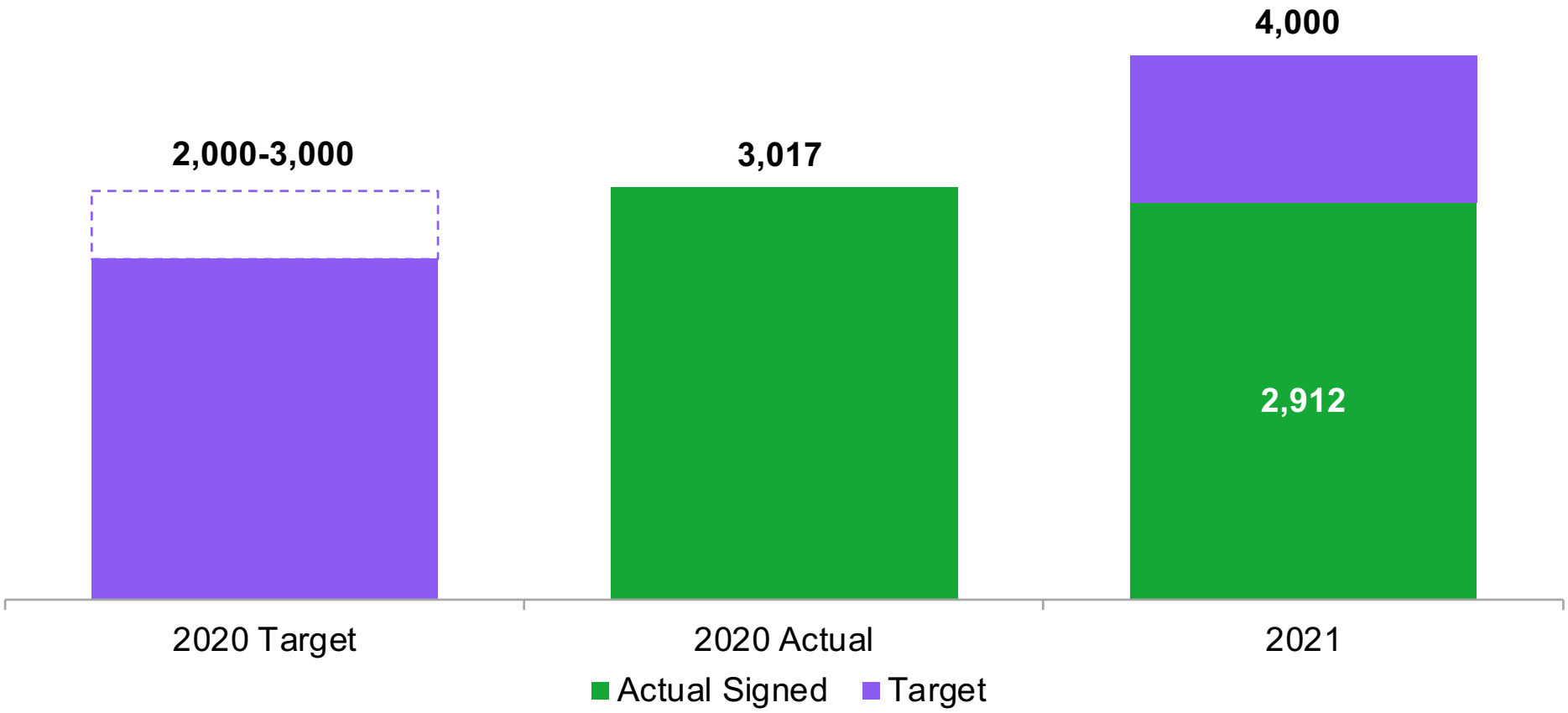
Targeting BBB Flat Credit Metrics by 2025



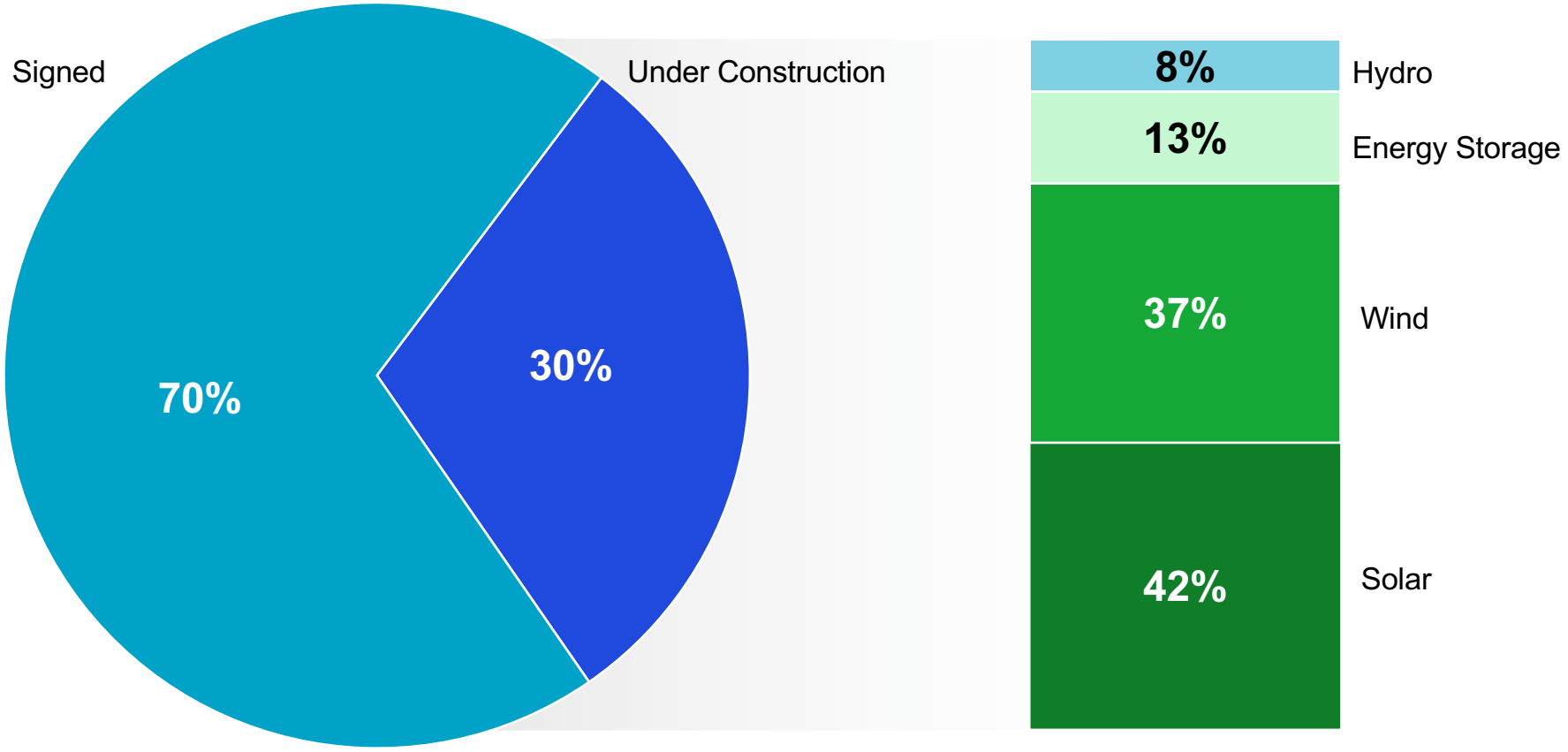
AES is Uniquely Positioned to Lead The Transformation

On Track to Sign 4 GW of Renewables Under Long-Term PPAs in 2021

Capacity in MW



8.5 GW Backlog of Renewables[1,2]

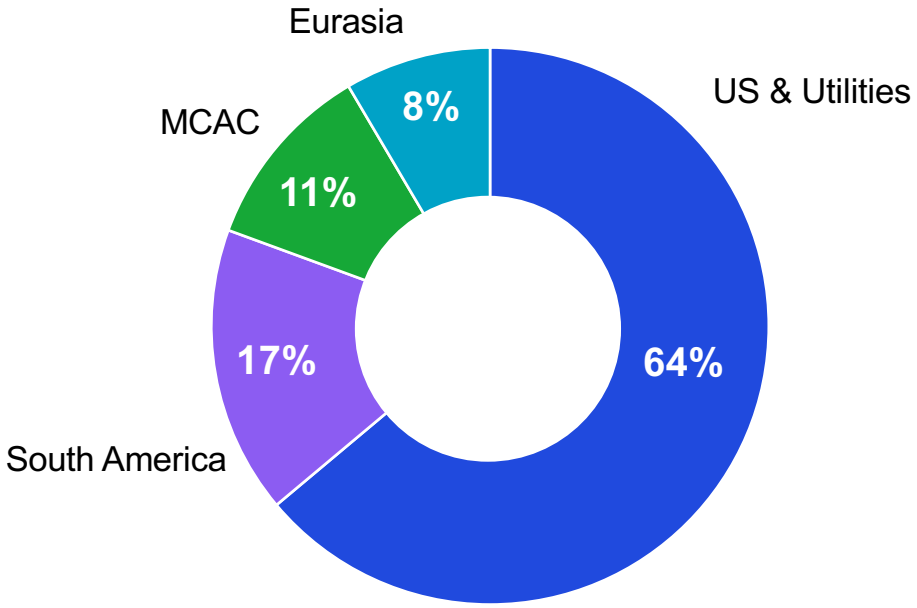


1. US & Utilities: 5,019 MW; South America: 2,941 MW; MCAC: 511 MW.
2. As of August 5, 2021.

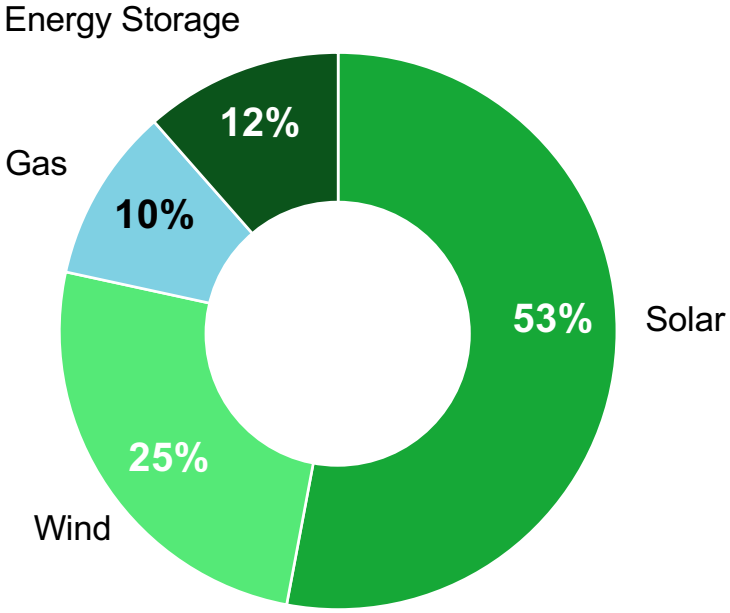
We Have a 37 GW Pipeline[1] to Meet Rapidly Growing Demand

Capacity in GW

Geography



Technology



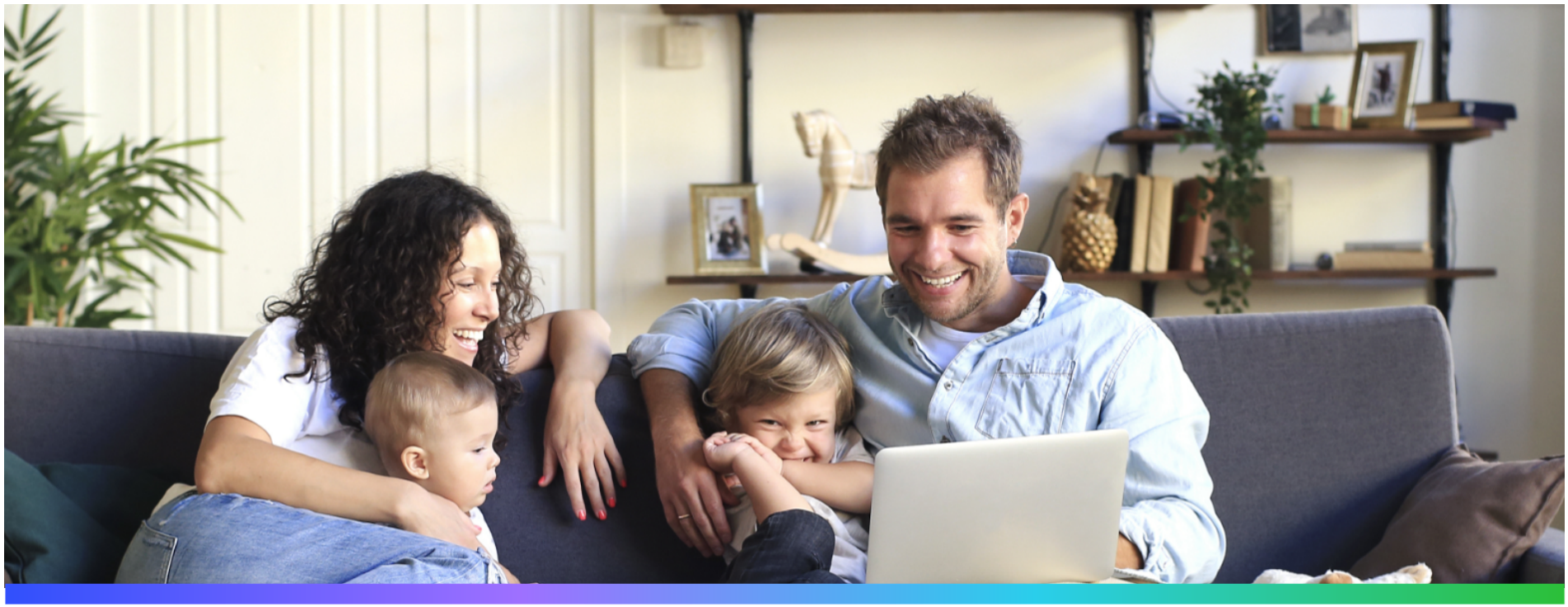
1. As of July 2021.

Leading Integrator of Technologies to Meet Customers' Energy Needs





FLUENCE® A Siemens and AES Company is Supercharging the Broad Adoption of Renewables



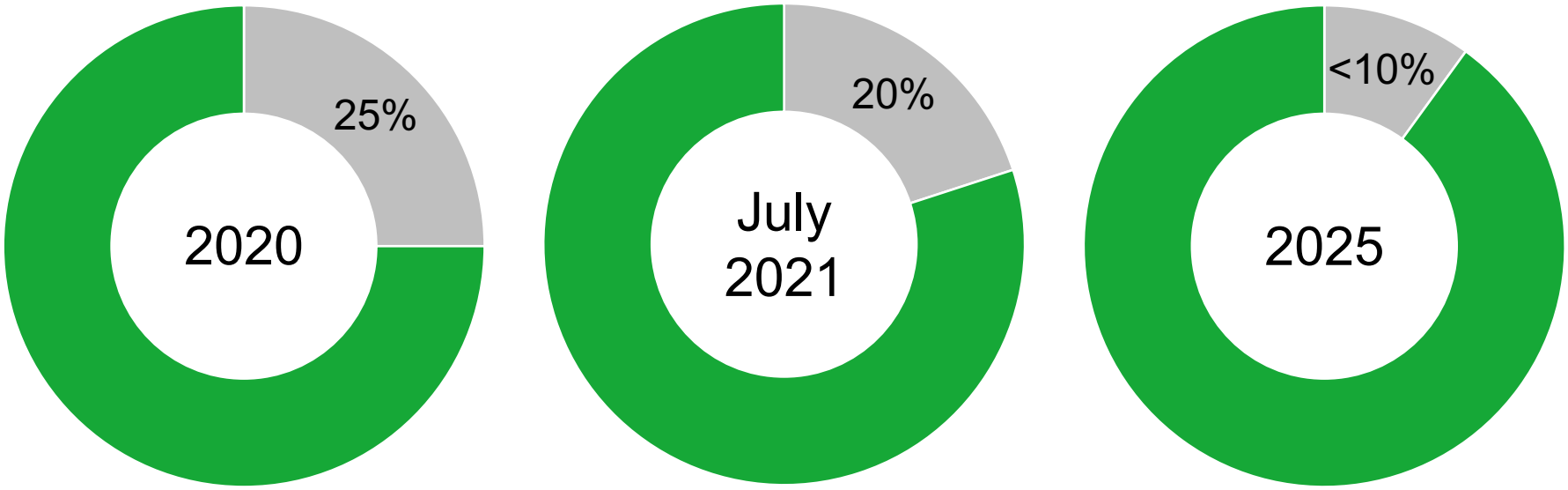
uplight™ is Energizing the Customer Experience with Utilities in North America that Serve over 110 Million Homes and Businesses



5B is Unfolding the Full Potential of Solar

Aggressively Accelerating Our Own Decarbonization

Generation in MWh from Coal[1]

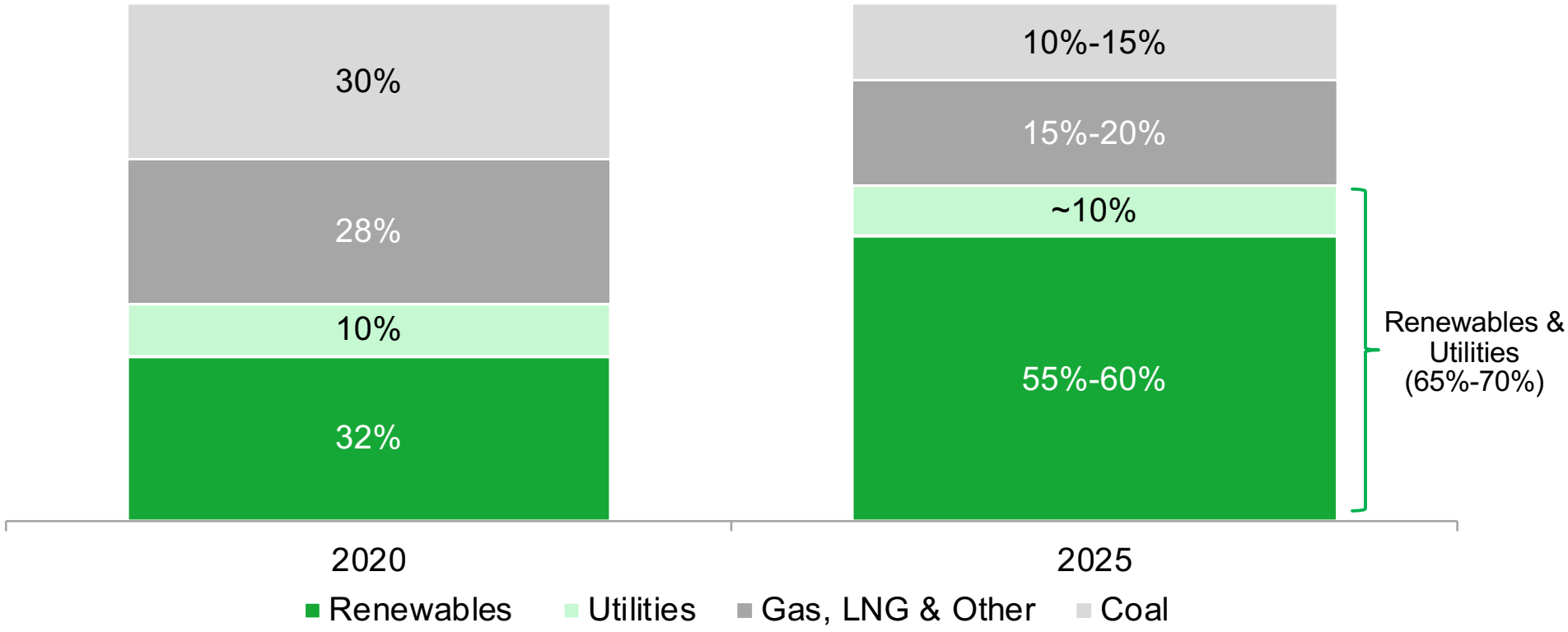


AES Andes Announced Voluntary Retirement of 1.1 GW of Coal in Chile, to be Replaced by 2.3 GW of Contracted Renewables

1. Based on annual generation in MWh from the portfolio as of, or expected by, the relevant date, adjusted for: (i) (+) generation from new assets added to the portfolio, including renewables backlog; and (ii) (-) actual generation from announced asset sales or retirements.

By 2025, >65% of Adjusted PTC[1] Expected to Come From Renewables & Utilities

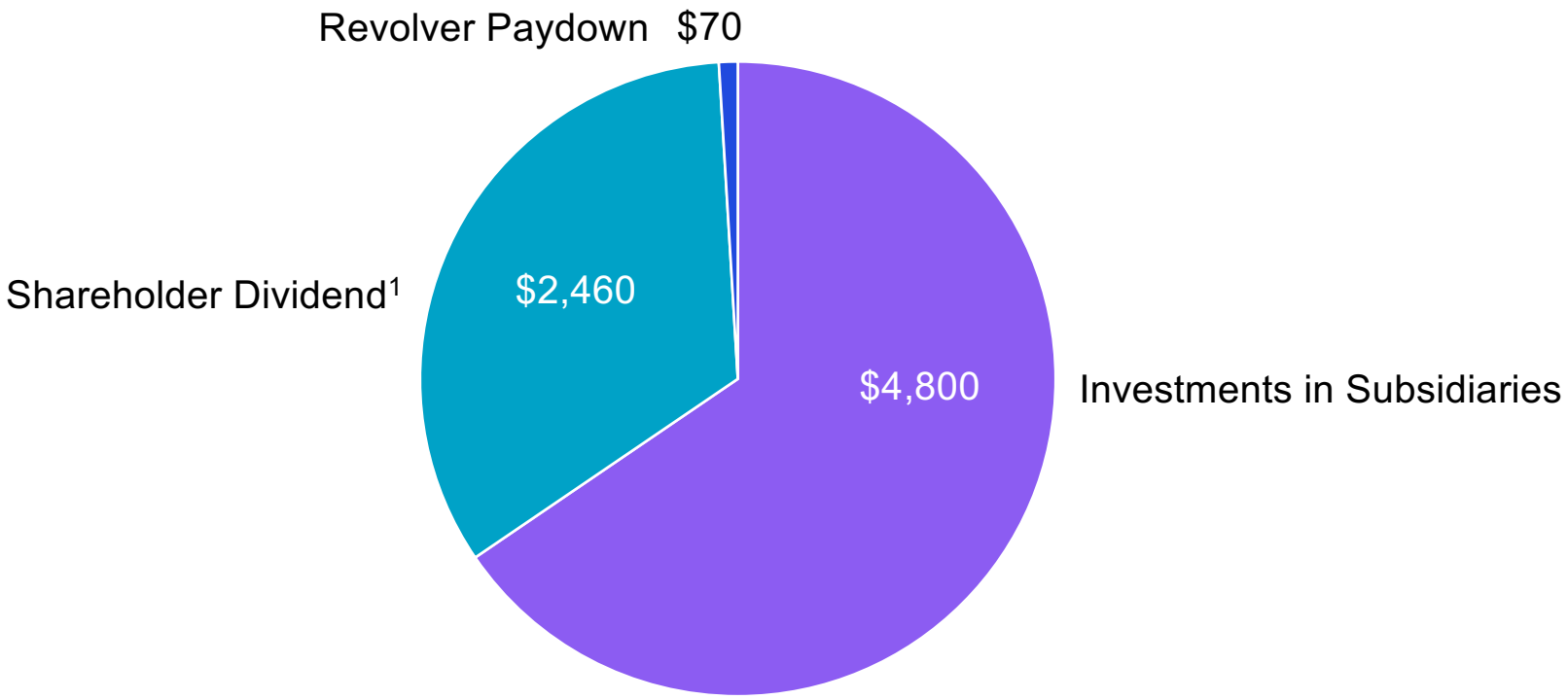
Percent of Adjusted PTC[1]



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

2021-2025: Planned Capital Allocation

$ in Millions

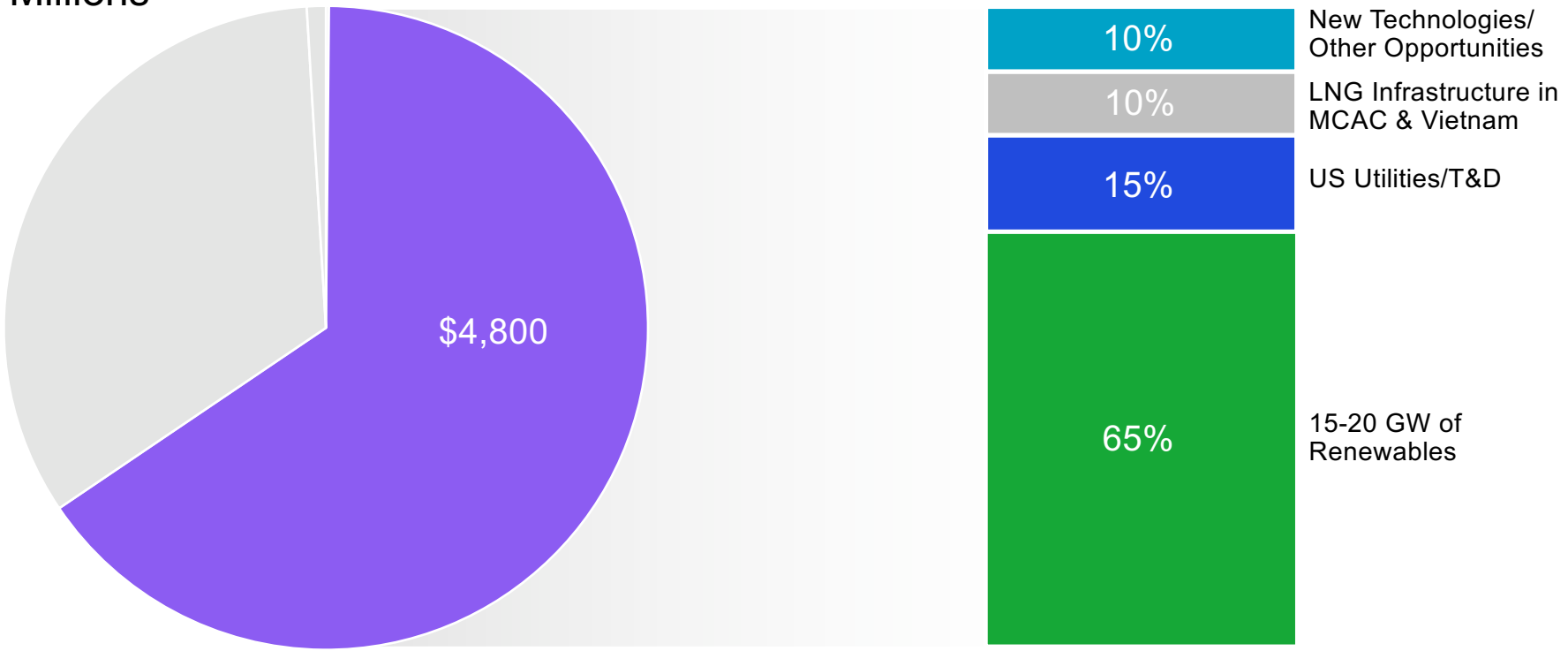


Delivering Value by Allocating $7.3 Billion of Discretionary Cash

1. Assumes 2021 payment of $0.1505 per share each quarter on 665 million shares outstanding as of December 31, 2020, growing at 4%-6% per year through 2025, subject to Board approval. Also includes expected coupon on $1 billion of planned equity-linked securities.

2021-2025: Planned Investments in Subsidiaries

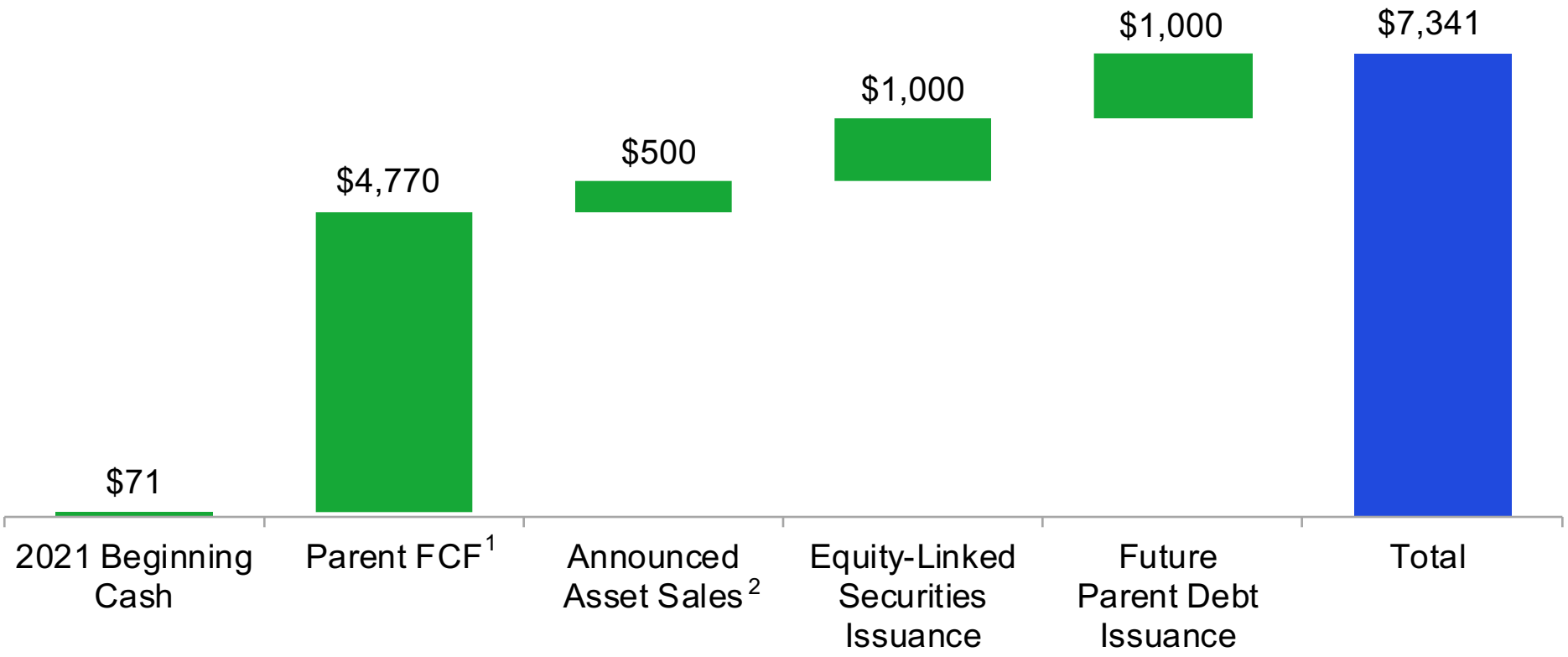
$ in Millions



>90% Under Long-Term Contracts or US Utilities; >60% in the US

2021-2025: Sources of $7.3 Billion Discretionary Cash

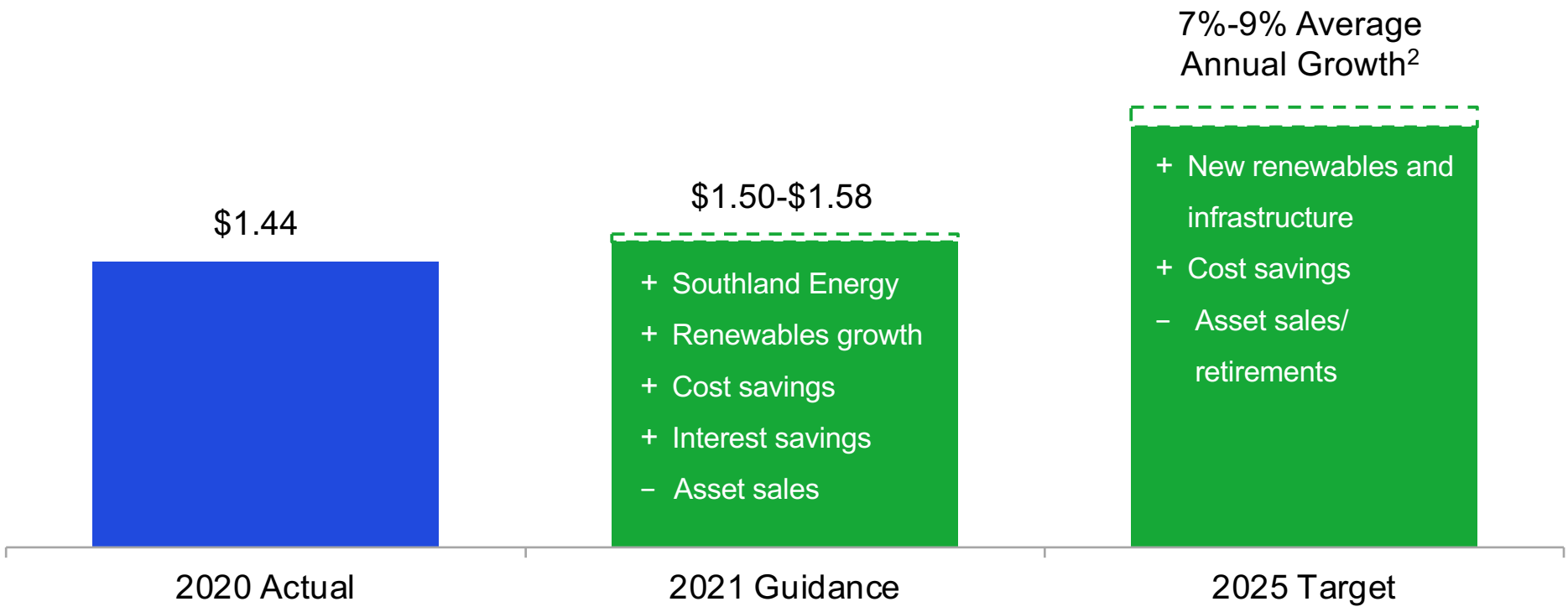
$ in Millions



1. A non-GAAP financial measure. See Appendix for reconciliation and definition. The Company is not able to provide a corresponding GAAP equivalent or reconciliation for its Parent Free Cash Flow expectation without unreasonable effort.
2. Includes announced pending asset sales in Jordan, the Dominican Republic and Vietnam.

2021 Guidance and Expectations Through 2025: Adjusted EPS[1]

$ Per Share



1. A non-GAAP financial measure. The Company is not able to provide a corresponding GAAP equivalent or reconciliation for its Adjusted EPS guidance without unreasonable effort. See Appendix for definition and a description of the adjustments to reconcile Adjusted EPS to diluted EPS for 2020.
2. From a base of 2020 Adjusted EPS of $1.44.

2021 Guidance and Expectations Through 2025: Parent Free Cash Flow[1]

$ in Millions



1. A non-GAAP financial measure. The Company is not able to provide a corresponding GAAP equivalent or reconciliation for its Parent Free Cash Flow expectation without unreasonable effort. See Appendix for definition and a description of the adjustments to reconcile Parent Free Cash Flow to Net Cash Provided by Operating Activities at the Parent Company for 2020.
2. From a base of 2020 Parent Free Cash Flow of $777 million.

Investment Highlights

→ The scale and urgency of the opportunity is upon us
- Digitalization, decarbonization and electrification are driving a massive transformation of the electric sector
- The clean energy transition will require ~$100 trillion[1] of investment through 2050
- 12,000 GW[1] of renewables and energy storage additions expected through 2050

→ AES is a sustainable business with mostly contracted generation and utilities
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- 8.5 GW of contracted backlog
- 37 GW global development pipeline

→ AES is a leading integrator of technologies to meet customer demand
- Fluence; Uplight; 5B and more

→ We have a clearly defined green growth plan, to be funded largely through internally-generated cash
- Targeting ~2/3 investments in the US; >90% investments in renewables and utilities

→ 7% to 9% average annual growth target for Adjusted EPS[2] and Parent Free Cash Flow[2] through 2025

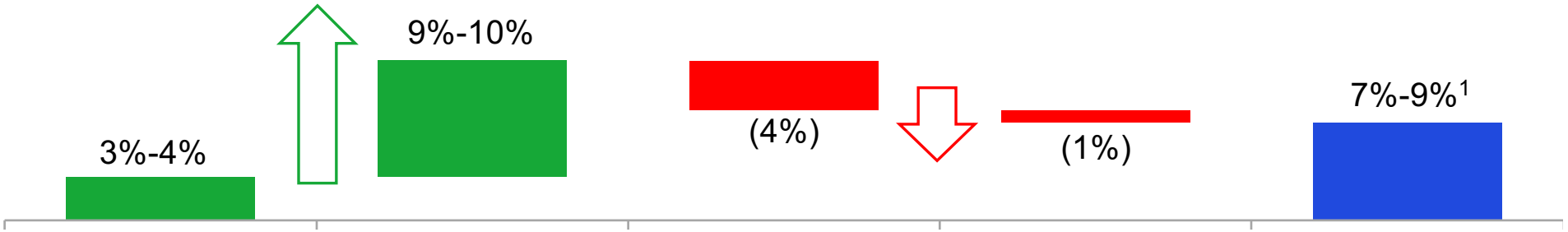
→ Attractive valuation (15.5x Price/2021 Adjusted EPS[2] estimates vs. S&P 500 Index ~22x and S&P Utilities Index ~21x)[3]

1. Based on the mid-point of Bloomberg New Energy Finance's (BNEF) New Energy Outlook 2020 clean electricity and green hydrogen pathway.
2. A non-GAAP financial measure. See Appendix for definition.
3. As of September 13, 2021.

Appendix

Key Drivers of 7% to 9% Average Annual Growth Target for Adjusted EPS[1] Through 2025	Slide 27
Reconciliations	Slides 28-30
Assumptions & Definitions	Slides 31-32

Key Drivers of 7% to 9% Average Annual Growth[1] Target for Adjusted EPS[2] Through 2025



- → Cost savings
- → Interest savings
- → LNG upside in MCAC

- → Contributions from $4.8 billion of investments in renewables, US utilities and LNG infrastructure

- → Contract roll-offs through 2025[3]
- → Announced coal asset sales
- → Additional retirements to achieve 2025 decarbonization goal

- → Includes $1 billion of equity-linked securities to be issued and $1 billion of future Parent debt issuance

1. From a base of 2020 Adjusted EPS of $1.44.
2. A non-GAAP financial measure. The Company is not able to provide a corresponding GAAP equivalent or reconciliation for its Adjusted EPS guidance without unreasonable effort. See Appendix for a description of the adjustments to reconcile Adjusted EPS to diluted EPS for 2020.
3. Among others, includes Southland legacy contracts and AES Ohio RSC.

Reconciliation of FY 2016 Adjusted PTC[1] and Adjusted EPS[1]

$ in Millions, Except Per Share Amounts	FY 2016	
	Net of NCI[2]	Per Share (Diluted) Net of NCI[2]
Income (Loss) from Continuing Operations Attributable to AES and Diluted EPS	$8	-[3]
Add: Income Tax Expense (Benefit) from Continuing Operations Attributable to AES	($148)	
Pre-Tax Contribution	($140)	
Adjustments		
Unrealized Derivative (Gains)/Losses	($9)	($0.02)
Unrealized Foreign Currency Transaction Losses	$23	$0.04
Disposition/Acquisition (Gains)/Losses	$6	$0.01[4]
Impairment Losses	$933	$1.41[5]
Loss on Extinguishment of Debt	$29	$0.05[6]
Less: Net Income Tax (Benefit) Expense	-	($0.51)[7]
Adjusted PTC[1] & Adjusted EPS[1]	$842	$0.98

1. A Non-GAAP financial measure. See “definitions”.
2. NCI is defined as Noncontrolling Interests.
3. Diluted EPS calculation includes income from continuing operations, net of tax, of $8 million less the $5 million adjustment to retained earnings to record the DP&L redeemable preferred stock at its redemption value as of December 31, 2016.
4. Amount primarily relates to the loss on deconsolidation of UK Wind of $20 million, or $0.03 per share and losses associated with the sale of Sul of $10 million, or $0.02; partially offset by the gain on sale of DPLER of $22 million, or $0.03 per share.
5. Amount primarily relates to asset impairments at DPL of $859 million, or $1.30 per share; $159 million at Buffalo Gap II ($49 million, or $0.07 per share, net of NCI); and $77 million at Buffalo Gap I ($23 million, or $0.03 per share, net of NCI).
6. Amount primarily relates to the loss on early retirement of debt at the Parent Company of $19 million, or $0.03 per share.
7. Amount primarily relates to the per share income tax benefit associated with asset impairment of $332 million, or $0.50 per share in the twelve months ended December 31, 2016.

Reconciliation of FY 2020 Adjusted PTC[1] and Adjusted EPS[1]

$ in Millions, Except Per Share Amounts	FY 2020	
	Net of NCI[2]	Per Share (Diluted) Net of NCI[2]
Income from Continuing Operations, Net of Tax, Attributable to AES and Diluted EPS	$43	$0.06
Add: Income Tax Expense from Continuing Operations Attributable to AES	$130	
Pre-Tax Contribution	$173	
Adjustments		
Unrealized Derivative and Equity Securities Losses	$3	$0.01
Unrealized Foreign Currency Losses (Gains)	($10)	($0.01)
Disposition/Acquisition Losses	$112	$0.17[3]
Impairment Expense	$928	$1.39[4]
Loss on Extinguishment of Debt	$223	$0.33[5]
Net Gains from Early Contract Terminations at Angamos	($182)	($0.27)[6]
U.S. Tax Law Reform Impact	-	$0.02[7]
Less: Net Income Tax Benefit	-	($0.26)[8]
Adjusted PTC[1] & Adjusted EPS[1]	$1,247	$1.44

1. A Non-GAAP financial measure. See “definitions”.
2. NCI is defined as Noncontrolling Interests.
3. Amount primarily relates to loss on sale of Uruguaiana of $85 million, or $0.13 per share, loss on sale of the Kazakhstan HPPs of $30 million, or $0.05 per share, as a result of the final arbitration decision, and advisor fees associated with the successful acquisition of additional ownership interest in AES Brasil of $9 million, or $0.01 per share; partially offset by gain on sale of OPGC of $23 million, or $0.03 per share.
4. Amount primarily relates to asset impairments at Gener of $527 million, or $0.79 per share, other-than-temporary impairment of OPGC of $201 million, or $0.30 per share, impairments at our Guacolda and sPower equity affiliates, impacting equity earnings by $85 million, or $0.13 per share, and $57 million, or $0.09 per share, respectively; impairment at Hawaii of $38 million, or $0.06 per share, and impairment at Panama of $15 million, or $0.02 per share.
5. Amount primarily relates to losses on early retirement of debt at the Parent Company of $146 million, or $0.22 per share, AES Ohio (DPL) of $32 million, or $0.05 per share, Angamos of $17 million, or $0.02 per share, and Panama of $11 million, or $0.02 per share.
6. Amounts primarily relate to net gains at Angamos associated with the early contract terminations with Minera Escondida and Minera Spence of $110 million, or $0.16 per share, for the three months ended December 31, 2020, and $182 million, or $0.27 per share, for the twelve months ended December 31, 2020.
7. Amount represents adjustment to tax law reform remeasurement due to incremental deferred taxes related to AES Ohio (DPL) of $16 million, or $0.02 per share.
8. Amount primarily relates to income tax benefits associated with the impairments at Gener and Guacolda of $164 million, or $0.25 per share, and income tax benefits associated with losses on early retirement of debt at the Parent Company of $31 million, or $0.05 per share; partially offset by income tax expense related to net gains at Angamos associated with the early contract terminations with Minera Escondida and Minera Spence of $49 million, or $0.07 per share.

Reconciliation of Parent Free Cash Flow[1]

$ in Millions	2020	2016
Net Cash Provided by Operating Activities at the Parent Company[2]	$434	$818
Subsidiary Distributions to QHCs Excluded from Schedule 1[3]	$198	$57
Subsidiary Distributions Classified in Investing Activities[4]	$238	$29
Parent-Funded SBU Overhead and Other Expenses Classified in Investing Activities[5]	($85)	($325)
Other	($8)	-
Parent Free Cash Flow[1]	$777	$579

1. Parent Free Cash Flow (a non-GAAP financial measure) should not be construed as an alternative to Consolidated Net Cash Provided by Operating Activities, which is determined in accordance with US GAAP. Parent Free Cash Flow is the primary, recurring source of cash that is available for use by the Parent Company. 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. Management uses Parent Free Cash Flow to determine the cash available to pay dividends, repay recourse debt, make equity investments, fund share buybacks, pay Parent Company hedging costs and make foreign exchange settlements. We believe that Parent Free Cash Flow is useful to investors because it better reflects the Parent Company's cash available to make growth investments, pay shareholder dividends, and make principal payments on recourse debt. Factors in this determination include availability of subsidiary distributions to the Parent Company and the Company's investment plan.
2. Refer to Part IV—Item 15—Schedule I—Condensed Financial Information of Registrant of the Company's 2020 10-K filed with the SEC on February 25, 2021 and the Company's 2016 10-K filed with the SEC on February 27, 2017.
3. Subsidiary distributions received by Qualified Holding Companies ("QHCs") excluded from Schedule 1. Subsidiary Distributions should not be construed as an alternative to Consolidated Net Cash Provided by Operating Activities, which is determined in accordance with US 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 Consolidated 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.
4. Subsidiary distributions that originated from the results of operations of an underlying investee but were classified as investing activities when received by the relevant holding company included in Schedule 1.
5. Net cash payments for parent-funded SBU overhead, business development, taxes, transaction costs, and capitalized interest that are classified as investing activities or excluded from Schedule 1.

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 have 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, losses, benefits and costs associated with dispositions and acquisitions of business interests, including early plant closures, and the tax impact from the repatriation of sales proceeds, and gains and losses recognized at commencement of sales-type leases; (d) losses due to impairments; (e) gains, losses and costs due to the early retirement of debt; (f) net gains at Angamos, one of our businesses in the South America SBU, associated with the early contract terminations with Minera Escondida and Minera Spence; and (g) tax benefit or expense related to the enactment effects of 2017 U.S. tax law reform and related regulations and any subsequent period adjustments related to enactment effects.

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, benefits and costs associated with dispositions and acquisitions of business interests, including early plant closures, and gains and losses recognized at commencement of sales-type leases; (d) losses due to impairments; (e) gains, losses and costs due to the early retirement of debt; and (f) net gains at Angamos, one of our businesses in the South America SBU, associated with the early contract terminations with Minera Escondida and Minera Spence.

NCI is defined as noncontrolling interests.

Parent Company Liquidity (a non-GAAP financial measure) is defined as as cash available to the Parent Company, including cash at qualified holding companies ("QHCs"), plus available borrowings under our existing credit facility. 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 Consolidated Net Cash Provided by Operating Activities, which is determined in accordance with US GAAP. Parent Free Cash Flow is the primary, recurring source of cash that is available for use by the Parent Company. 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. Management uses Parent Free Cash Flow to determine the cash available to pay dividends, repay recourse debt, make equity investments, fund share buybacks, pay Parent Company hedging costs and make foreign exchange settlements. We believe that Parent Free Cash Flow is useful to investors because it better reflects the Parent Company's cash available to make growth investments, pay shareholder dividends, and make principal payments on recourse debt. Factors in this determination include availability of subsidiary distributions to the Parent Company and the Company's investment plan.

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 Consolidated 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 Consolidated 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.