# The AES Corporation

## Second Quarter 2021 Financial Review

August 5, 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.

# Strategic Accomplishments and Highlights

→ Q2 2021 Adjusted EPS[1] of $0.31, an increase of 24% vs. Q2 2020

→ Reaffirming 2021 guidance and 7% to 9% average annual growth target through 2025

→ Received regulatory approvals at our US utilities, AES Indiana and AES Ohio, further enabling planned new investments of more than $2 billion, to deliver 9% annual rate base growth through 2025

→ Signed 1.8 GW of new PPAs[2] for renewable energy projects, bringing total to 2.9 GW signed in year-to-date 2021 and increasing our backlog to 8.5 GW

→ Accelerated decarbonization efforts at AES Andes with the voluntary retirement of an additional 1.1 GW of coal in Chile, to be replaced by 2.3 GW of contracted renewables

→ Moody's changed the outlook on the Company's BB+ credit rating to positive

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

# Key Themes

Growth and Transformation of US utilities

Rapidly Growing Renewables Business

Strategic Advantage in Innovation

# AES Ohio Made Substantial Progress on Regulatory Filings

| | Q4 2020 | Expectations | Results |
|---|---|---|---|
| Stipulated Agreement | → Nearly unanimous agreement filed Q4 2020<br>• Smart grid ~$250 million investment<br>• SEET compliance: prospective and retrospective SEET<br>• Rate Stabilization Charge (RSC) to continue through 2024 | → Order expected summer 2021 | ✓ |
| FERC Transmission Settlement | → Settlement filed Q4 2020<br>• ~$400 million investment | → Order expected 1H 2021 | ✓ |
| Distribution Rate Case | → Case filed Q4 2020<br>• Recovery of capital investments since last rate case (2015)<br>• AES Ohio to maintain lowest residential rates in Ohio<br>• Recovery of investments from tornadoes | → Order expected 2H 2021-1H 2022 | On track |

Note: ✓ means resolved.

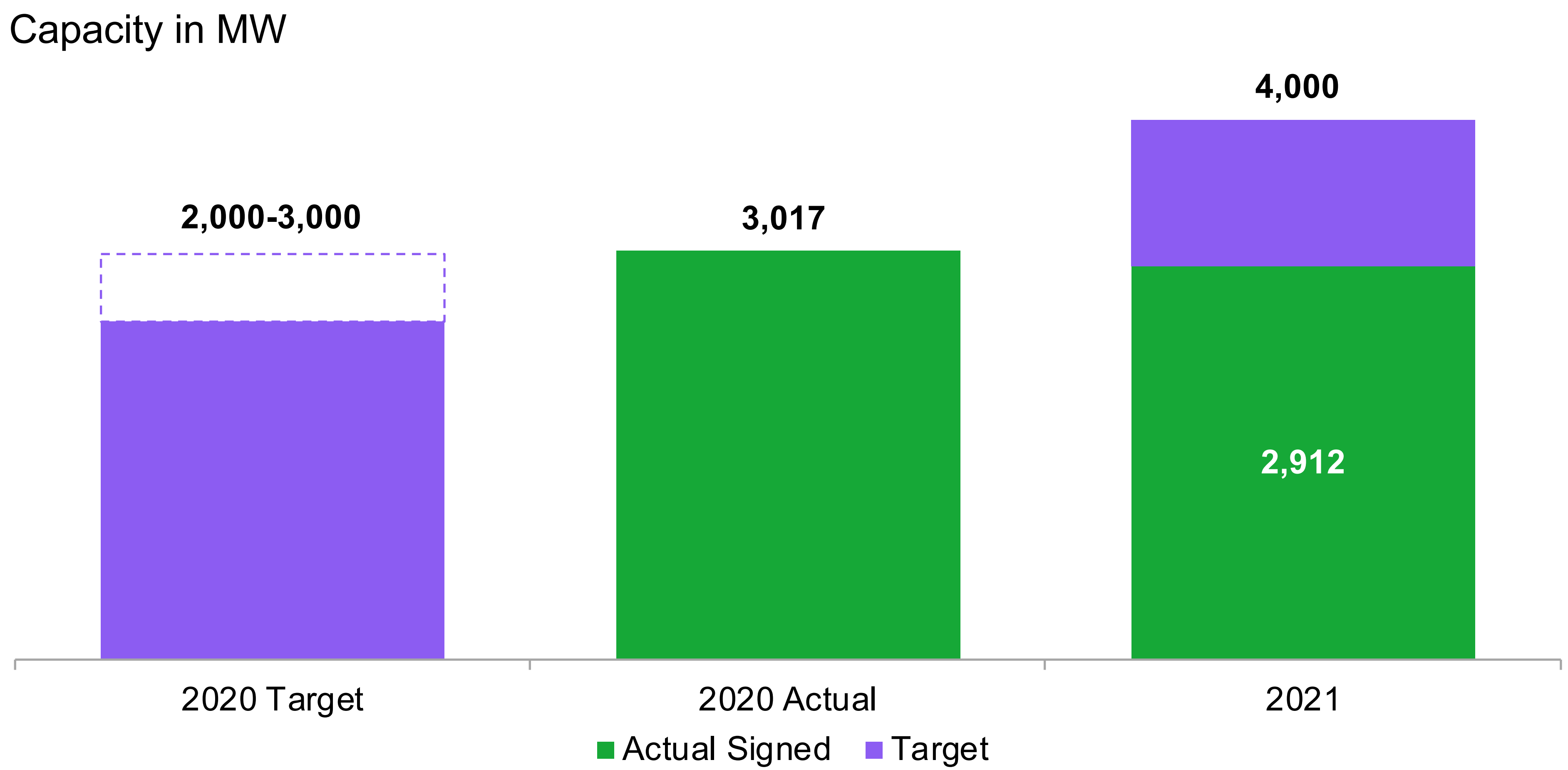
# AES Indiana Diversifying its Generation Portfolio, While Growing its Rate Base

aes Indiana

| Hardy Hills | Petersburg Solar Project |
|---|---|
| → 195 MW of solar<br>→ Expected COD[1] of 1H 2023<br>→ IURC[2] order received in June 2021 | → 250 MW of solar + 180 MWh of energy storage<br>→ Expected COD[1] of 1H 2024 |

1. Commercial Operations Date.
2. Indiana Utility Regulatory Commission.

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



# Agreed to Acquire 612 MW of Repowerable Operating Wind in New York[1]

→ Largest wind platform in New York

→ Significant potential through repowering and our innovative carbon-free products

- AES has >1 GW New York pipeline and track record dating back to 1990s
- Wind is a scarce resource in New York and an important ingredient for 24/7 carbon-free products

→ New York State is offering unique incentives in order to add 20 GW of new renewables to meet its aggressive 2030 renewables goal

→ Valuable access to similarly attractive New England market

1. Acquisition expected to close in 2H 2021.

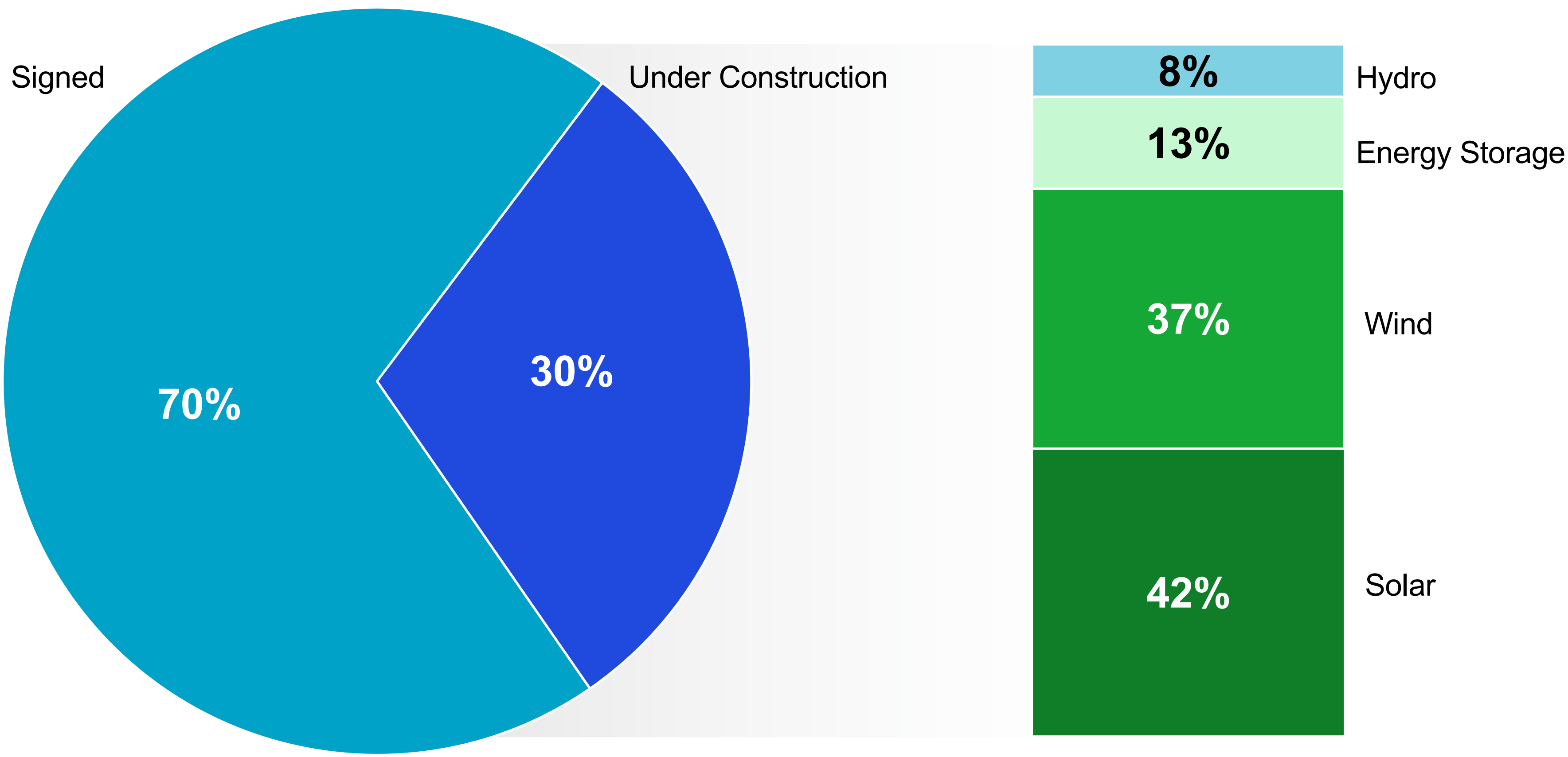
# Continuing to Provide Innovative Solutions to Customers

→ Year-to-Date, signed or awarded 10- to 20-year contracts to deliver 1.5 GW of innovative clean energy products across various markets in the US

- Builds on the success of our groundbreaking 24/7 carbon-free contract signed with Google earlier this year


**AES is Well-Positioned to Offer Innovative Solutions to C&I Customers, Who Signed 23 GW of PPAs in 2020**

# 8.5 GW Backlog of Renewables[1,2]

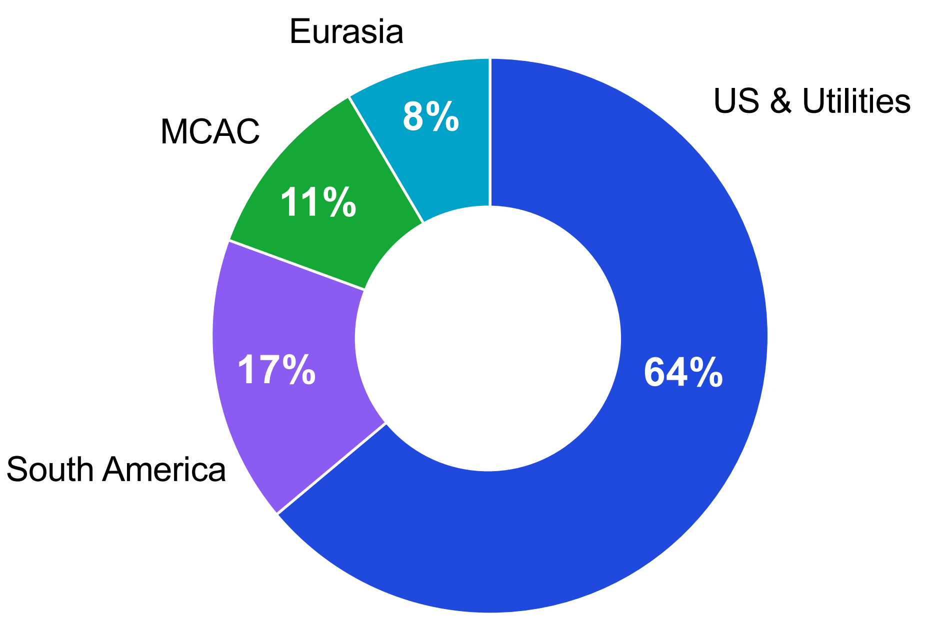



1. US & Utilities: 5,019 MW; South America: 2,941 MW; MCAC: 511 MW.
2. As of August 5, 2021.

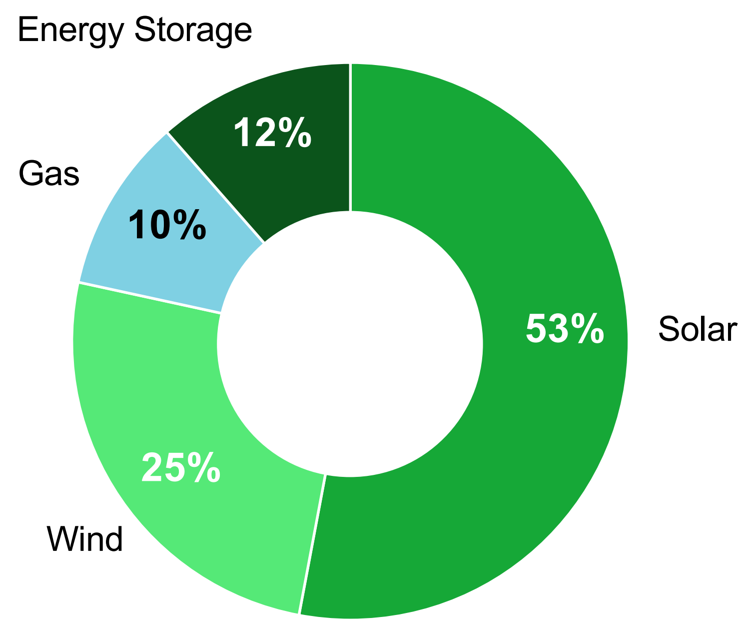
# We Have a 37 GW Pipeline[1] to Meet Rapidly Growing Demand

Capacity in GW

## Geography



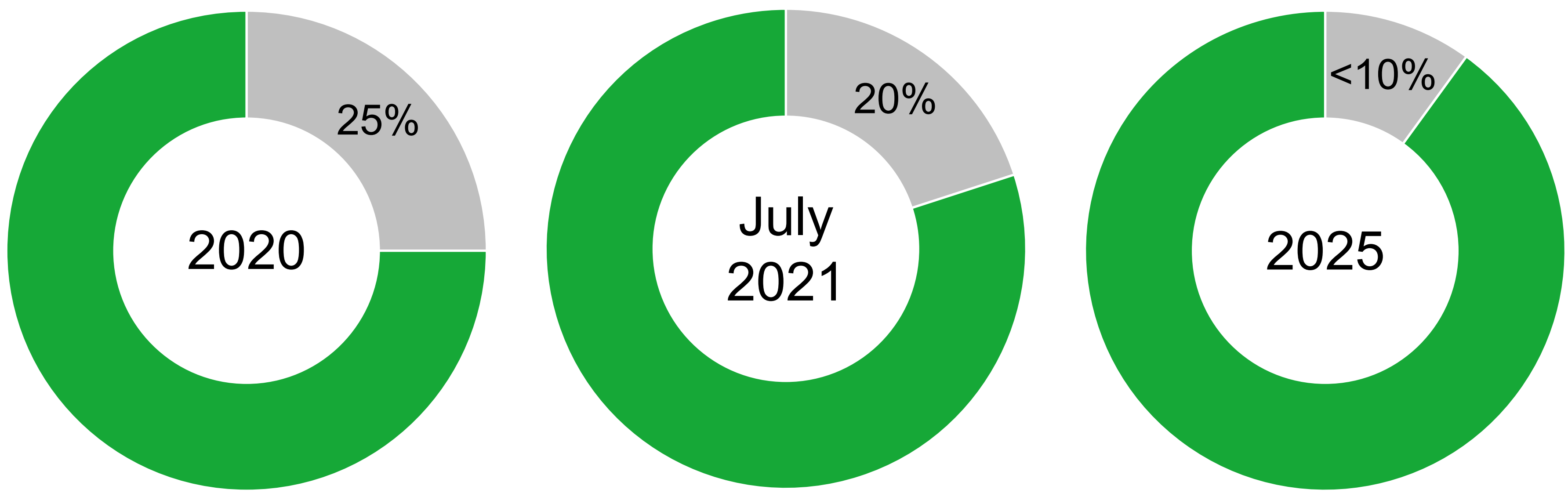

## Technology




1. As of July 2021.

# 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.

# Recognized for Unparalleled Excellence

Awarded the Industry's Highest Honor Seven Times by the Edison Electric Institute

# Transforming Solar Project Designs

→ 5B is a prefabricated solar solution company with patented technology allowing solar projects to be built in a third of the time and on half as much land

- Provides resistance to hurricane force winds

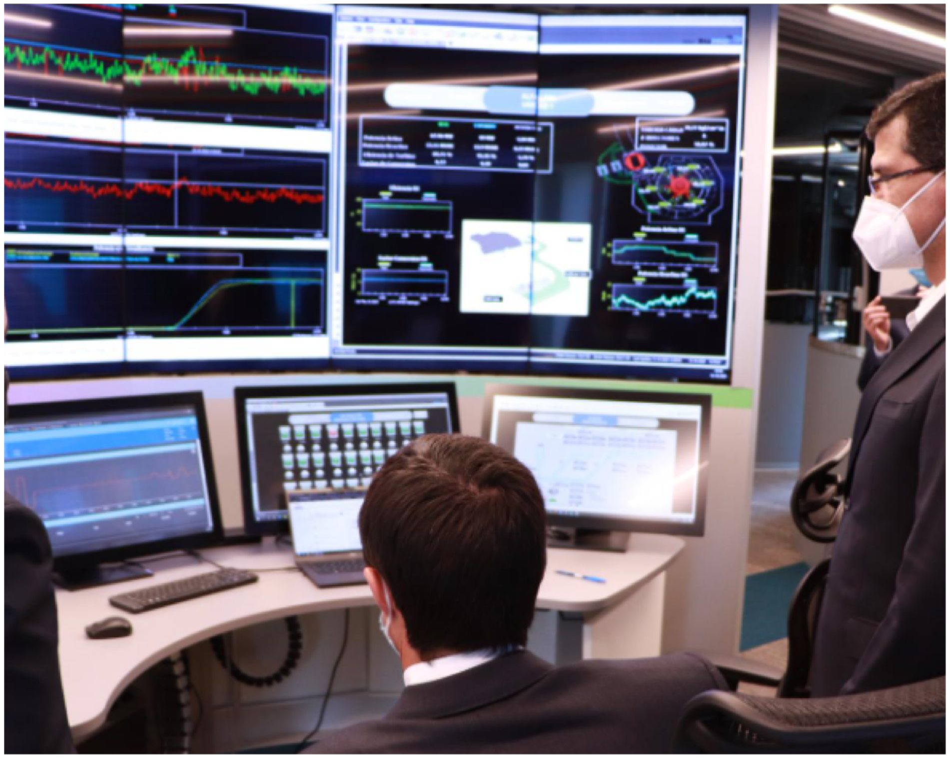
→ Continue to grow across several markets, including the US, Puerto Rico, Chile and Panama

- Expanding into India, where we are working with local partners to establish local manufacturing to enable to reach much greater scale much quicker

# Leading Provider of End-to-End Customer Energy Management Software for Utilities

uplight

- Uplight has access to more than 110 million households and businesses through its work with numerous utility customers to provide cloud-based energy efficiency solutions
- In July, closed previously announced transaction with Schneider Electric and a group of investors that valued Uplight at $1.5 billion





aes

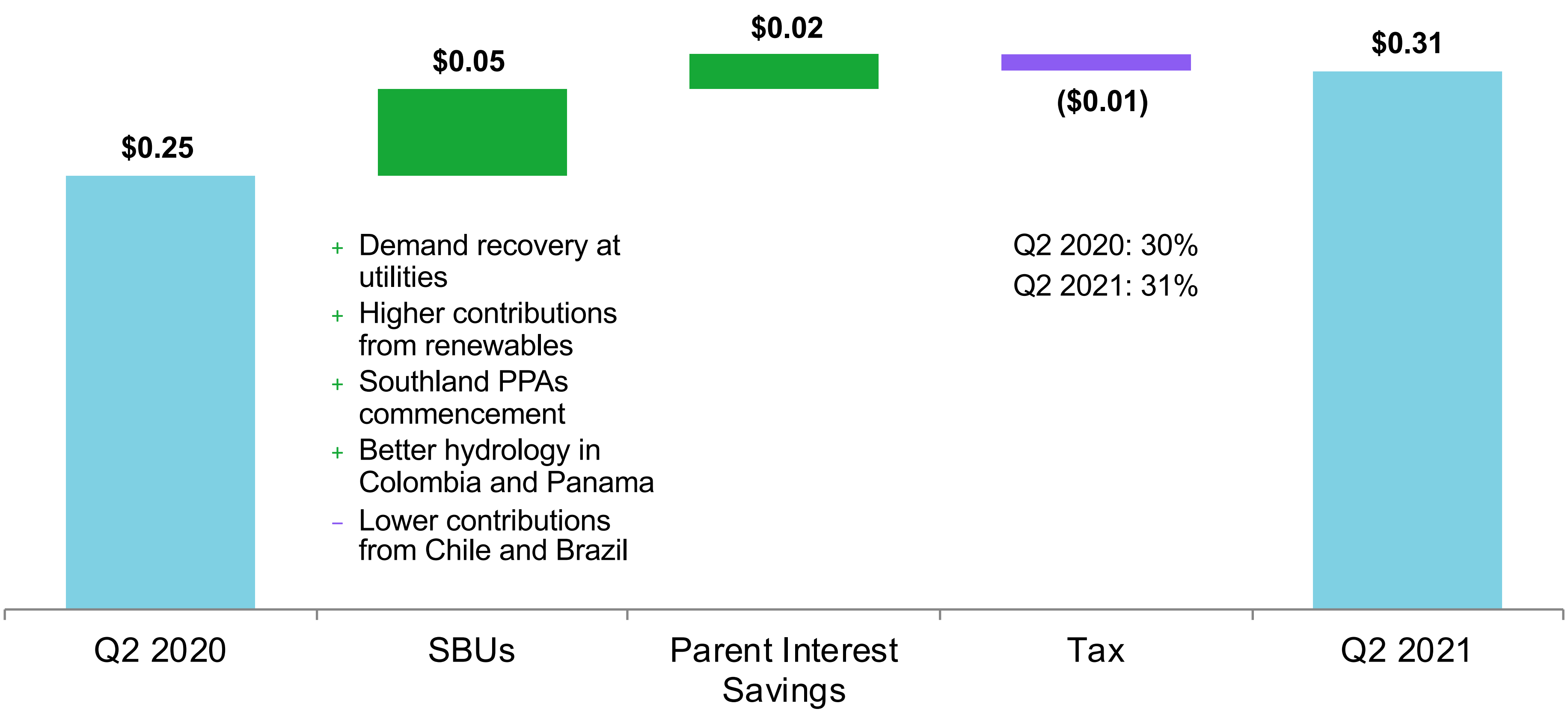
# Q2 2021 Financial Review

→ Q2 2021 results

→ Credit profile

→ Parent capital allocation plan

# Q2 2021 Adjusted EPS[1] Increased $0.06




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

# Q2 2021 Financial Results

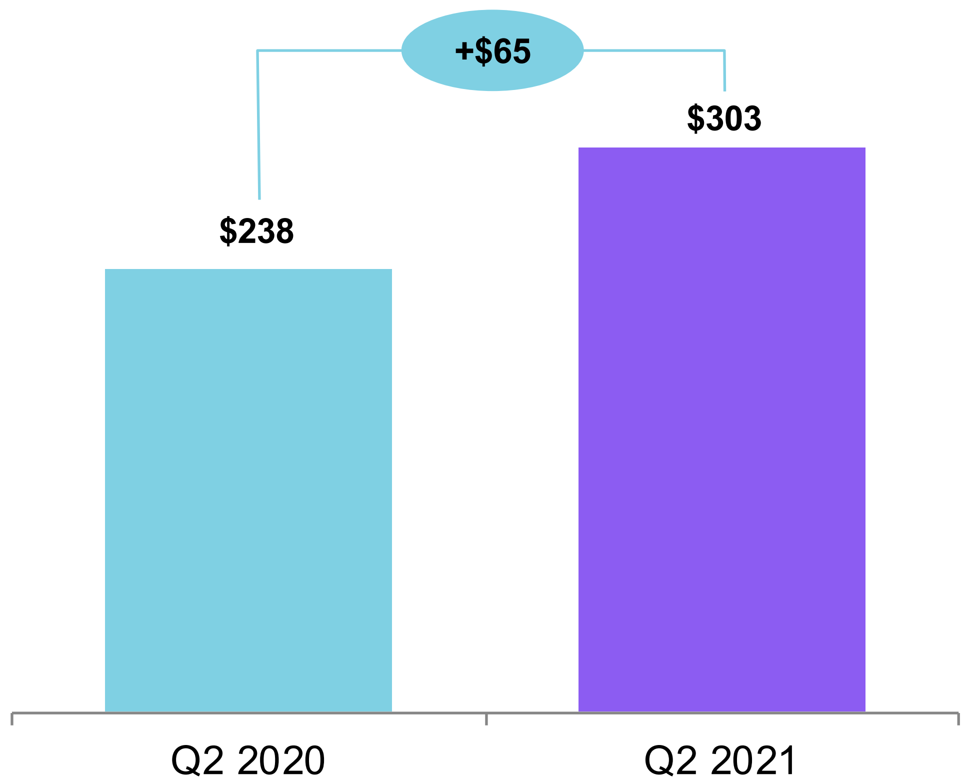
$ in Millions

→ Higher Adjusted PTC[1] driven primarily by:

- Higher contributions from US and Utilities; and
- Interest savings

→ Partially offset by lower contributions from South America

## Adjusted PTC[1]




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

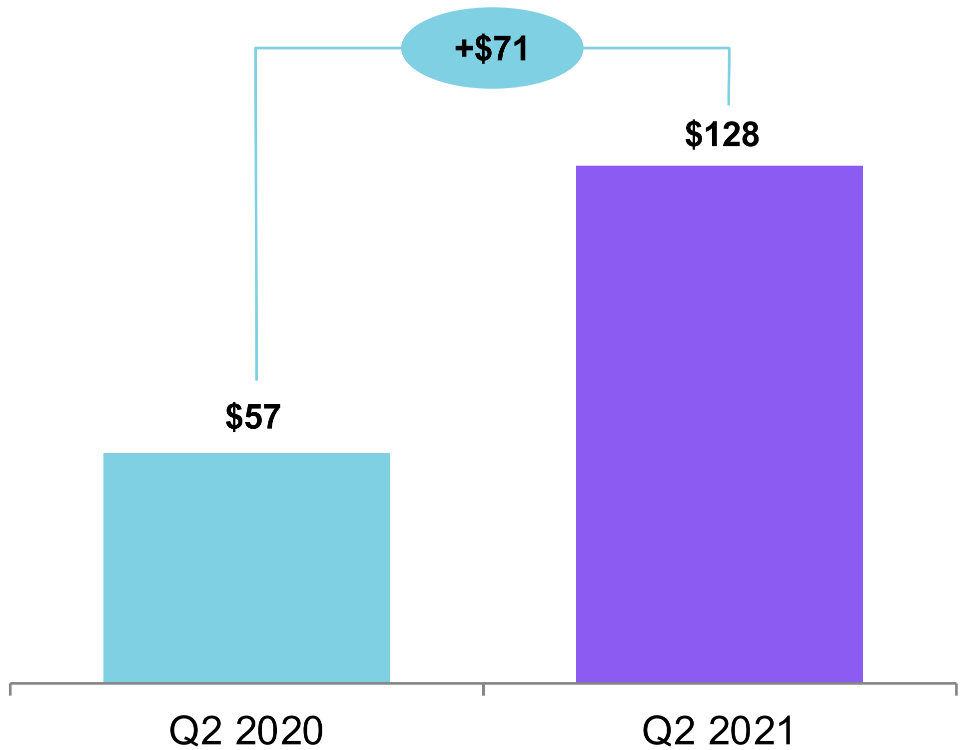
# Q2 Financial Results: US & Utilities SBU

$ in Millions

→ Higher Adjusted PTC[1] driven primarily by:

- Demand recovery at utilities;
- Higher contributions from renewables; and
- Higher contributions from the commencement of new PPAs at Southland CCGTs

## Adjusted PTC[1]




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

# Updates on US Utilities & Southland in California

## Demand Recovery at US Utilities

→ Weather-normalized system demand at US utilities improved in Q2 and was largely back in line with the pre-COVID levels

| Market | Q2 2021 vs. Q2 2020[1] | Q2 2020 vs. Q2 2019[1] |
|---|---|---|
| United States | | |
| AES Ohio | +9% | -7% |
| AES Indiana | +4% | -5% |
| Central America | | |
| El Salvador | +19% | -13% |

## Southland in California

→ 2.3 GW Southland legacy units well-positioned to contribute to the state's pressing energy needs and its transition to a more sustainable carbon-free future

→ State Water Board is considering the California energy agencies' recommendation for our 876 MW Redondo Beach facility to be extended for two years, through 2023

1. Represents weather-normalized actuals.

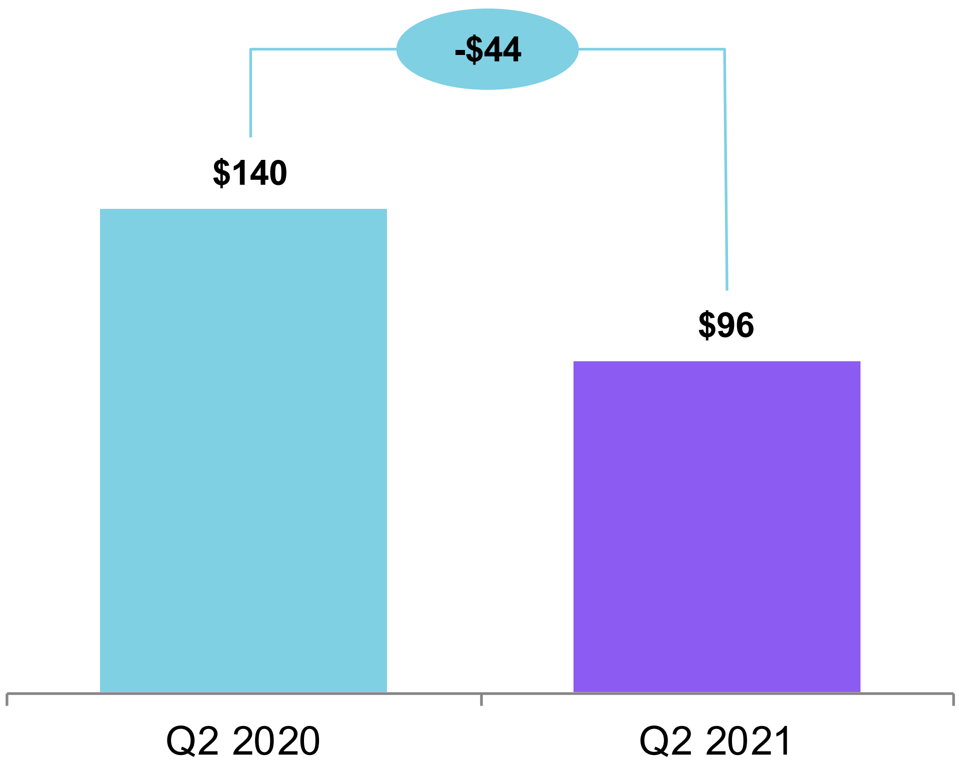
# Q2 Financial Results: South America SBU

$ in Millions

→ Lower Adjusted PTC[1] driven primarily by:
- Recovery of expenses from customers in Chile in 2020;
- Lower equity earnings from Guacolda in Chile; and
- Drier hydrology in Brazil

→ Partially offset by improved availability at the Chivor hydro plant in Colombia

## Adjusted PTC[1]



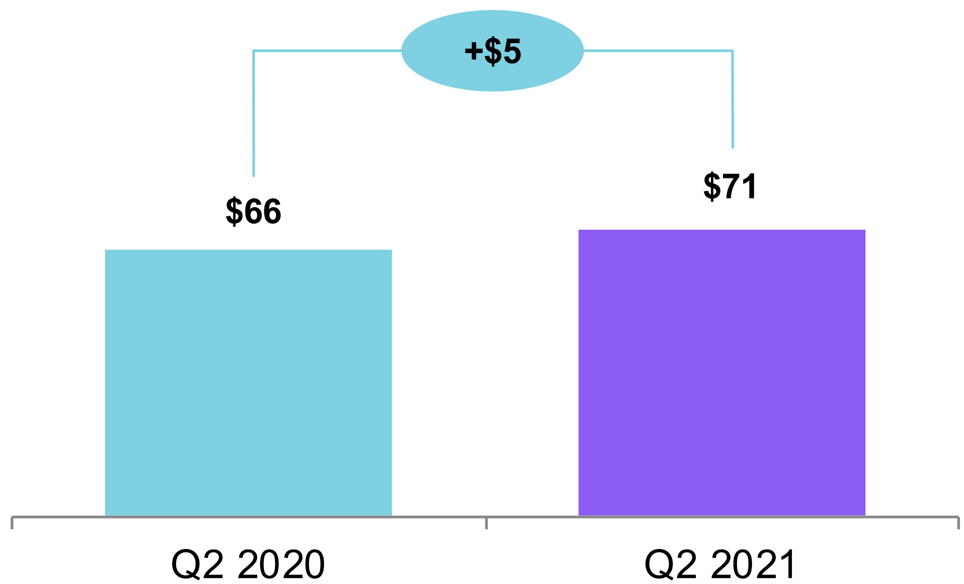

1. A non-GAAP financial measure. See Appendix for definition.

# Q2 Financial Results: MCAC SBU

$ in Millions

- → Higher Adjusted PTC[1] driven primarily by better hydrology in Panama
- → Partially offset by the sale of Itabo in the Dominican Republic

## Adjusted PTC[1]




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

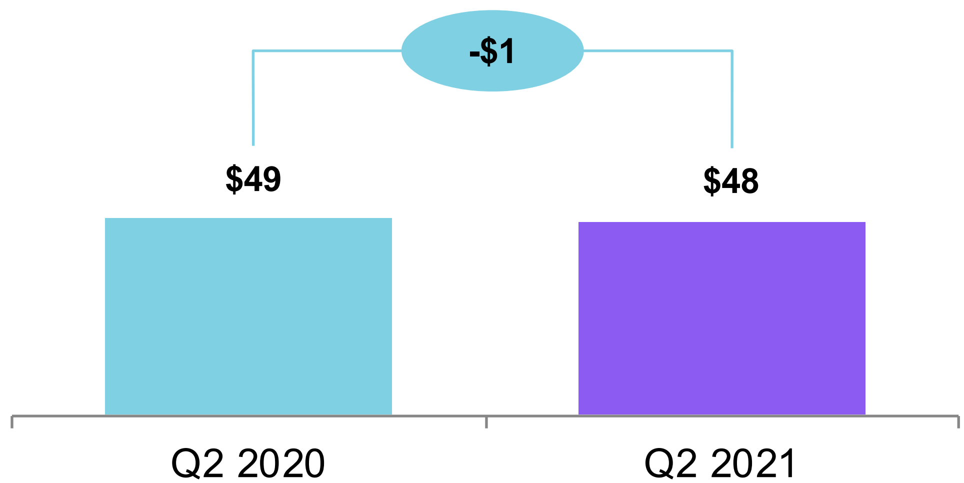
# Q2 Financial Results: Eurasia SBU

$ in Millions

→ Flat Adjusted PTC[1] driven primarily by the sale of OPGC in India

→ Largely offset by lower interest expense in Bulgaria

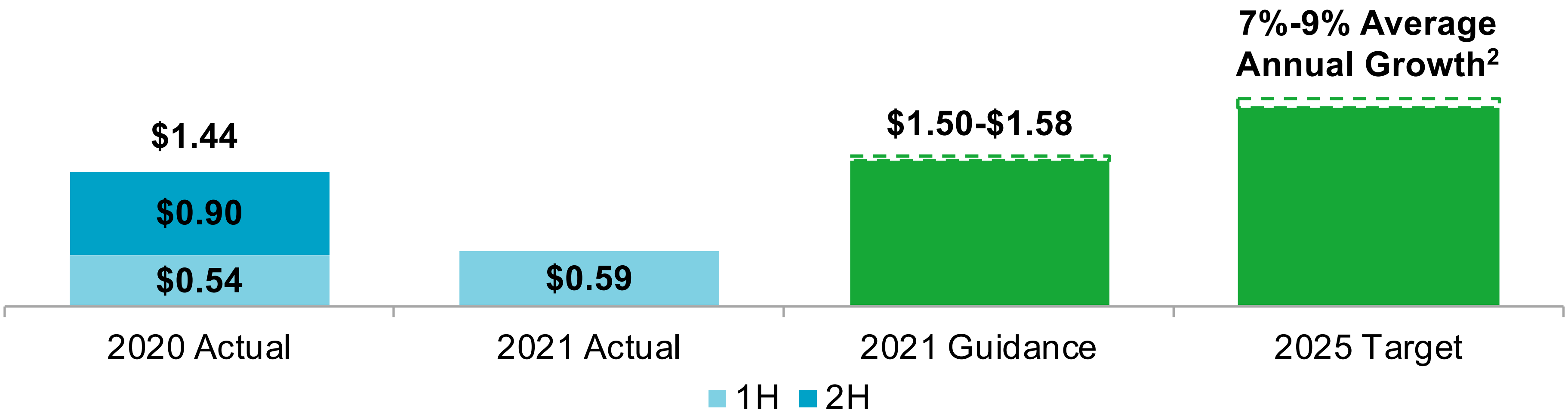
## Adjusted PTC[1]




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

# Reaffirming 2021 Guidance & Expectations Through 2025

**Adjusted EPS[1]**
**($ Per Share)**

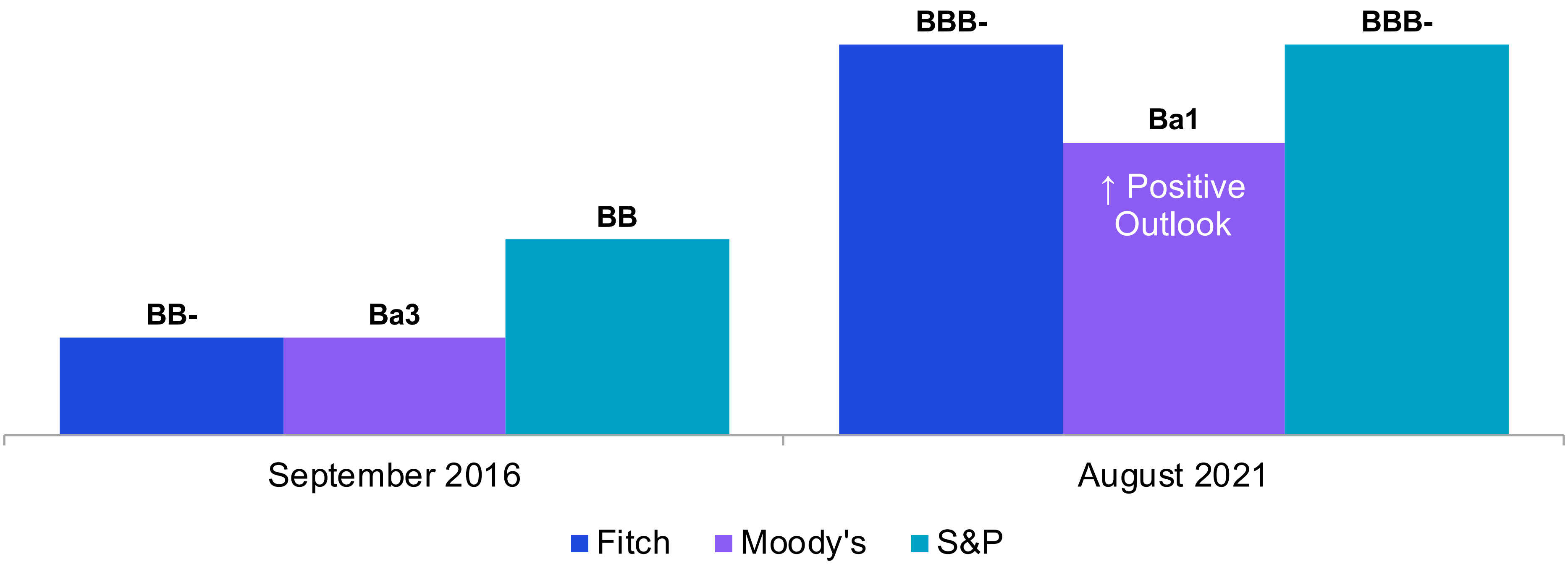



→ Growth in year-to-go 2021 primarily driven by:

- Contributions from 1.4 GW of new renewables assets to come on-line in year-to-go 2021;
- Continued demand recovery across markets; and
- Reduced interest expense from refinancings in 2020 and benefits from cost savings initiatives

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.

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

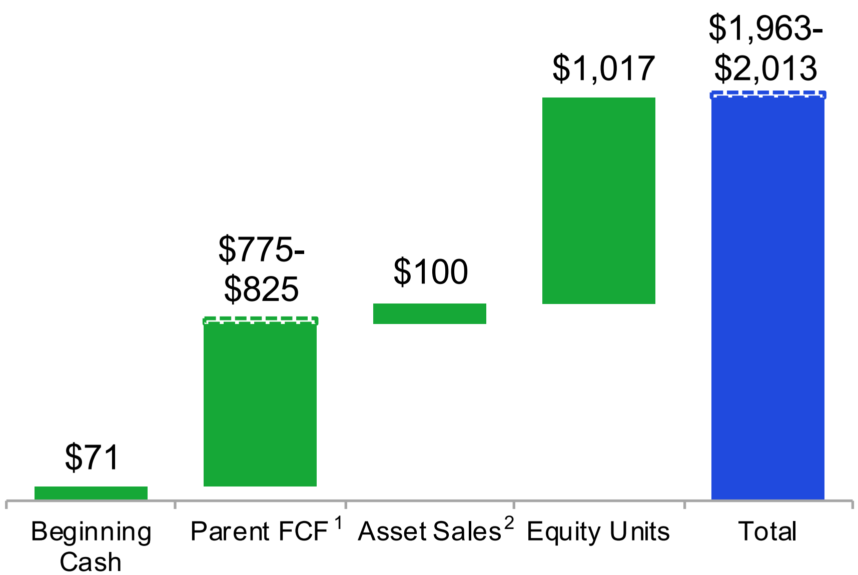



**Targeting BBB Flat Credit Metrics by 2025**

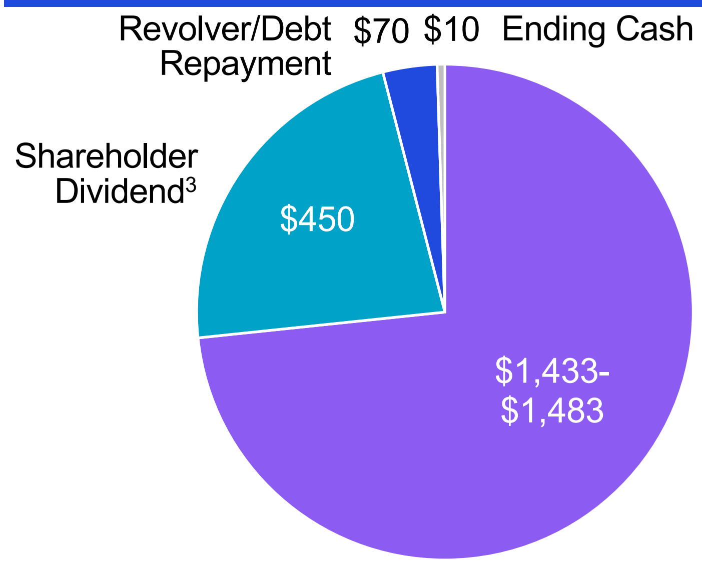
# 2021 Parent Capital Allocation Plan

$ in Millions

## Discretionary Cash – Sources ($1,963-$2,013)




## Discretionary Cash – Uses ($1,963-$2,013)




Investments in Subsidiaries

- → Renewables: $800-$900
- → US Utilities: $350
- → LNG Infra & New Technologies: $250

1. A non-GAAP financial measure. See Appendix for definition.
2. Includes the sale of Itabo in the Dominican Republic.
3. Includes 2021 payment of $0.1505 per share each quarter on 665 million shares outstanding as of December 31, 2020, and 6.875% coupon on $1 billion of equity units issued in March 2021.

# Key Takeaways

→ Well-positioned to capitalize on once in a lifetime transformation of the electric sector:

- Proven track record
- Most innovative new products
- 8.5 GW backlog and 37 GW pipeline

**Delivering 7% to 9% Average Annual Growth in Adjusted EPS[1] and Parent Free Cash Flow[1] Through 2025**

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

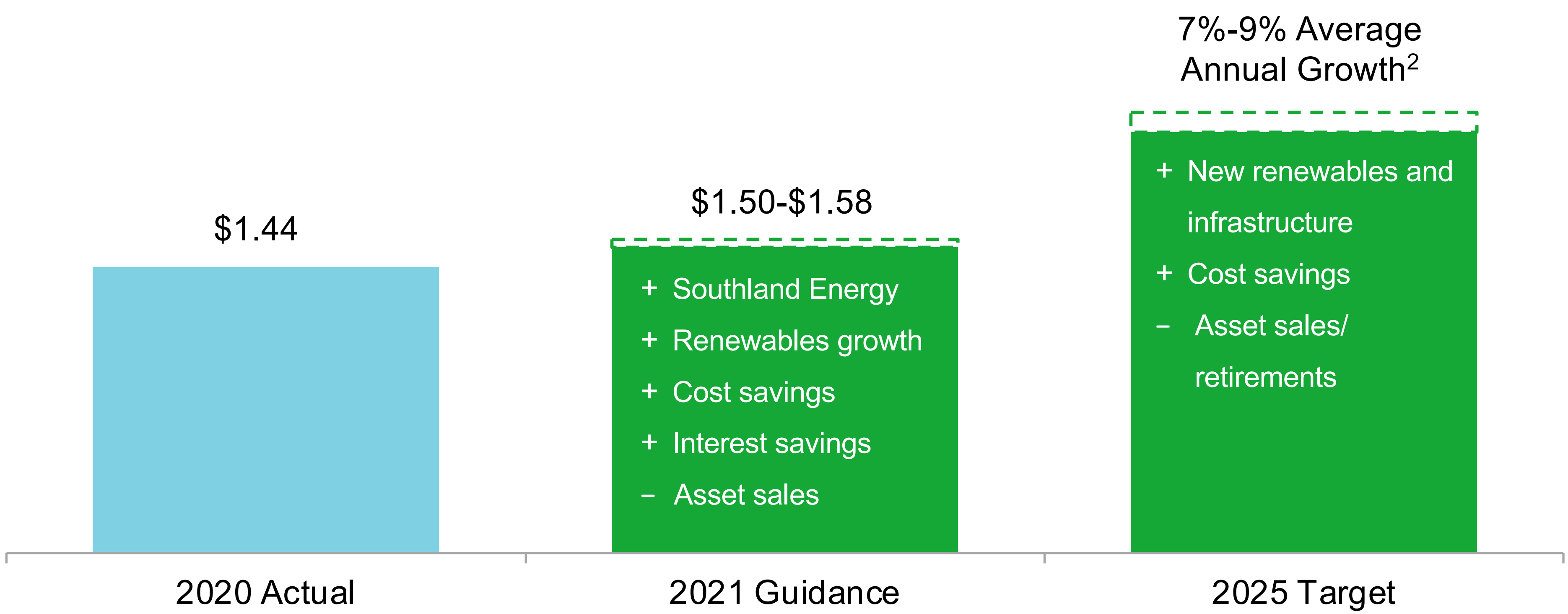
# Appendix



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

# 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 “definitions” and Slide 58 for 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.

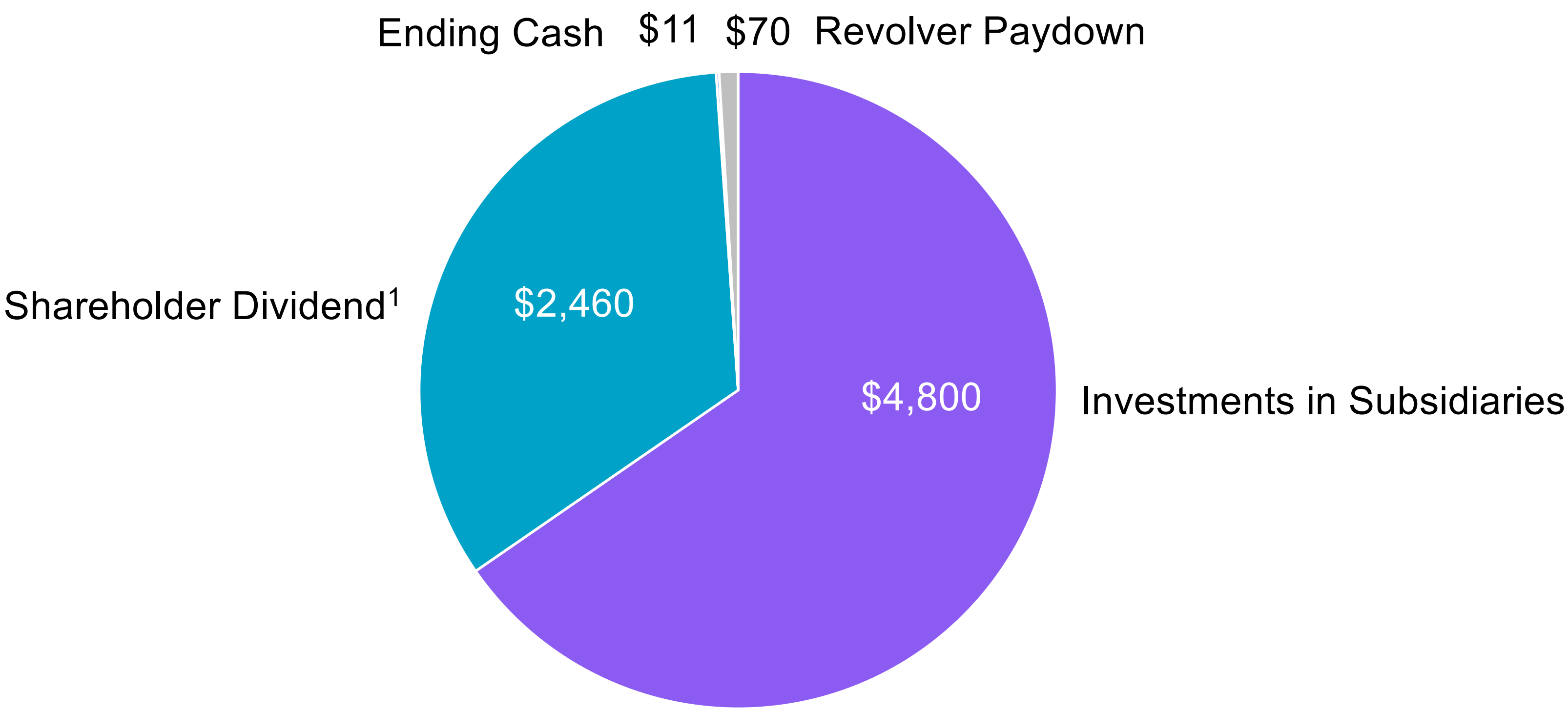
# 2021 Guidance and Expectations Through 2025: Parent Free Cash Flow[1]

$ 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 "definitions" and Slide 59 for 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.

# 2021-2025: Planned Capital Allocation

$ in Millions

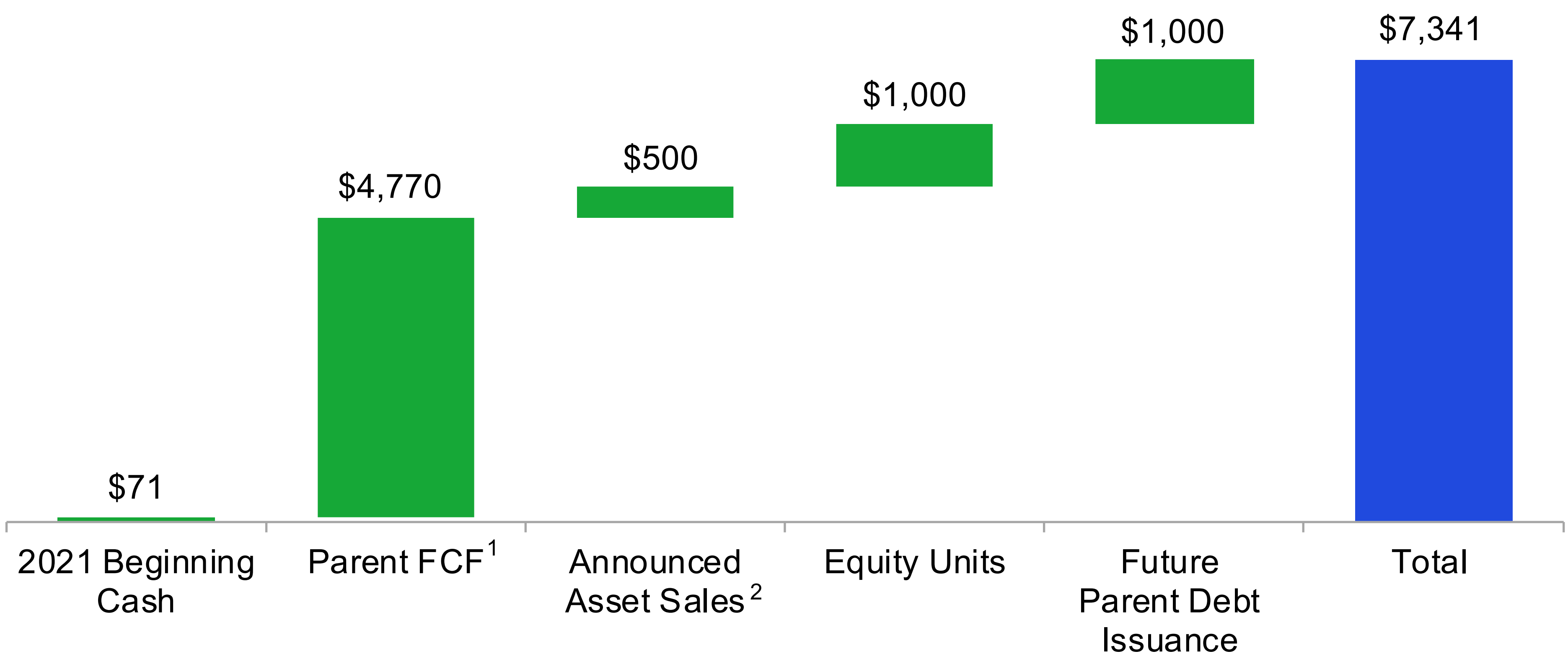



**Delivering Value by Allocating $7.3 Billion of Discretionary Cash**

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, and 6.875% coupon on $1 billion of equity units issued in March 2021.

# 2021-2025: Sources of $7.3 Billion Discretionary Cash

$ in Millions




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

# Parent Sources and Uses of Liquidity

| $ in Millions | Q2 | | YTD | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Sources | | | | |
| Total Subsidiary Distributions[1] | $164 | $401 | $411 | $590 |
| Proceeds from Asset Sales, Net | $65 | - | $65 | - |
| Financing Proceeds, Net | - | $1,579 | $1,017 | $1,579 |
| Increased/(Decreased) Credit Facility Commitments | - | - | - | - |
| Issuance of Common Stock, Net | - | - | - | - |
| Total Returns of Capital Distributions & Project Financing Proceeds | - | $163 | - | $163 |
| Beginning Parent Company Liquidity[2] | $1,480 | $527 | $924 | $814 |
| Total Sources | $1,709 | $2,670 | $2,417 | $3,146 |
| Uses | | | | |
| Repayments of Debt | - | ($1,578) | | ($1,596) |
| Shareholder Dividend | ($113) | ($95) | ($213) | ($190) |
| Investments in Subsidiaries, Net | ($243) | ($268) | ($689) | ($524) |
| Cash for Development, Selling, General & Administrative and Taxes | ($56) | ($34) | ($169) | ($141) |
| Cash Payments for Interest | ($2) | ($63) | ($40) | ($101) |
| Changes in Letters of Credit and Other, Net | $19 | ($23) | $8 | $15 |
| Ending Parent Company Liquidity[2] | ($1,314) | ($609) | ($1,314) | ($609) |
| Total Uses | ($1,709) | ($2,670) | ($2,417) | ($3,146) |

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

# Q2 & YTD 2021 Subsidiary Distributions[1]

## $ in Millions

| Subsidiary Distributions[1] by SBU | Q2 2021 | YTD 2021 |
|---|---|---|
| US & Utilities | $58 | $225 |
| South America | $47 | $47 |
| MCAC | $21 | $30 |
| Eurasia | $29 | $63 |
| Corporate & Other[2] | $9 | $46 |
| Total | $164 | $411 |

Top Ten Subsidiary Distributions[1] by Business

| Q2 2021 | | | | YTD 2021 | | | |
|---|---|---|---|---|---|---|---|
| Business | Amount | Business | Amount | Business | Amount | Business | Amount |
| AES Andes (South America) | $32 | Global Insurance (Corporate & Other) | $10 | Southland (US & Utilities) | $138 | Itabo (MCAC) | $18 |
| IPALCO (US & Utilities) | $28 | DG Solar (US & Utilities) | $10 | IPALCO (US & Utilities) | $49 | AES Brasil (South America) | $15 |
| Itabo (MCAC) | $18 | Amman East (Eurasia) | $9 | Global Insurance (Corporate & Other) | $46 | Amman East (Eurasia) | $12 |
| AES Brasil (South America) | $15 | Integrated Energy (US & Utilities) | $8 | Maritza East (Eurasia) | $41 | DG Solar (US & Utilities) | $10 |
| Maritza East (Eurasia) | $13 | Mong Duong (Eurasia) | $7 | AES Andes (South America) | $32 | TEG TEP (MCAC) | $9 |

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

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

## $ in Millions

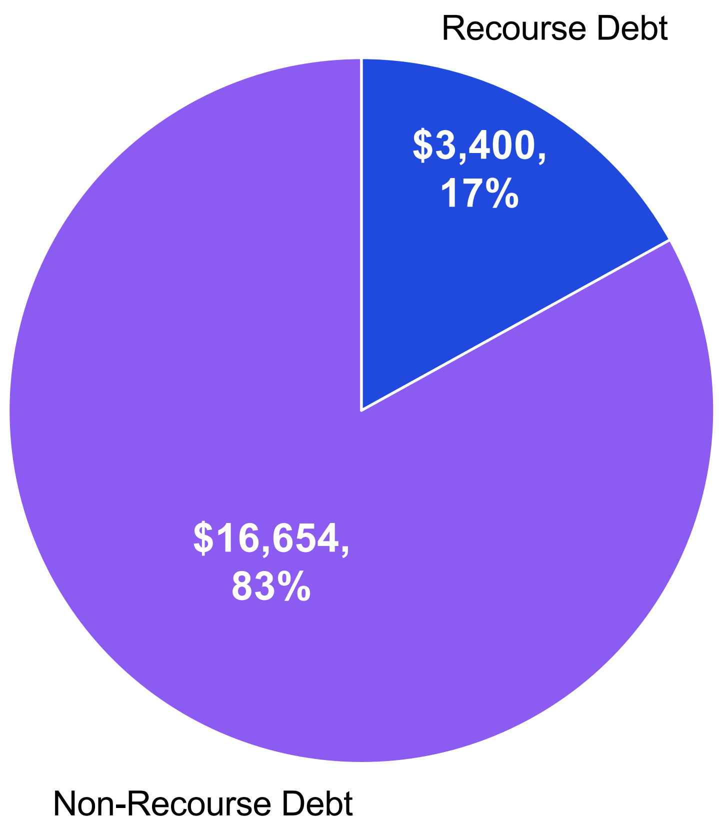
| | Quarter Ended | | | |
|---|---|---|---|---|
| | June 30, 2021 | March 31, 2021 | December 31, 2020 | September 30, 2020 |
| Total Subsidiary Distributions[1] to Parent & QHCs[2] | $164 | $247 | $335 | $220 |
| Total Return of Capital Distributions to Parent & QHCs[2] | - | - | ($118) | - |
| Total Subsidiary Distributions[1] & Returns of Capital to Parent | $164 | $247 | $217 | $220 |

| | Balance as of | | | |
|---|---|---|---|---|
| | June 30, 2021 | March 31, 2021 | December 31, 2020 | September 30, 2020 |
| Cash at Parent & QHCs[2] | $373 | $565 | $71 | $26 |
| Availability Under Credit Facilities | $941 | $916 | $853 | $274 |
| Ending Liquidity | $1,314 | $1,481 | $924 | $300 |

1. A non-GAAP financial measure. See "definitions".
2. Qualified Holding Company. See "assumptions".

# $20.1 Billion of Total Consolidated Debt[1]

$ in Millions, as of June 30, 2021

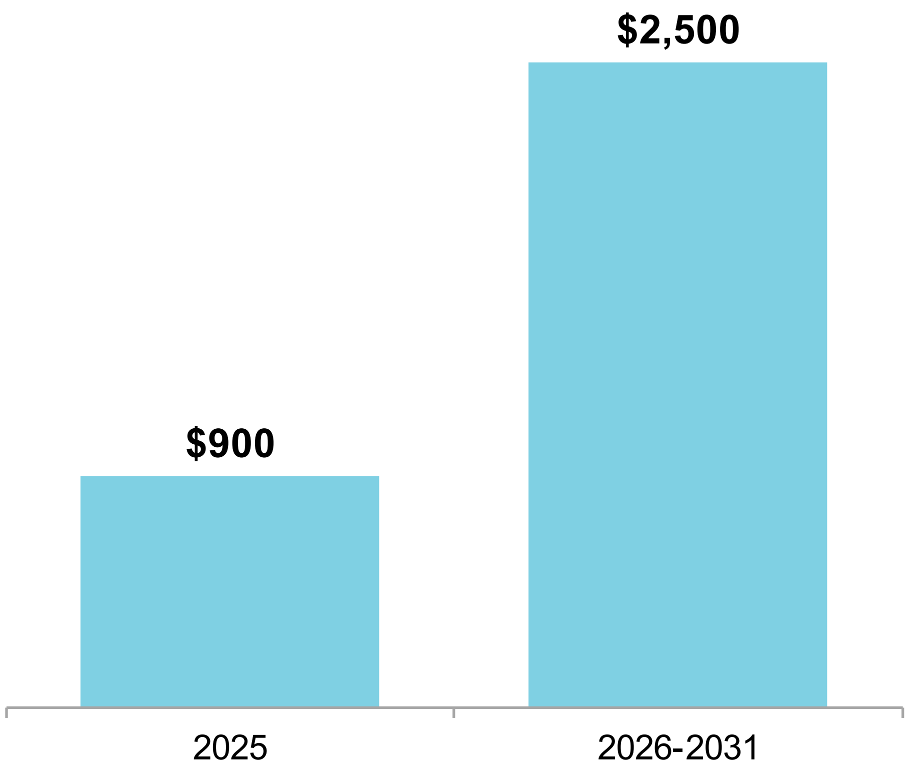



| | Recourse Debt | Non-Recourse Debt |
|---|---|---|
| Weighted Average All-in Cost | 2.73% | 4.94% |
| Weighted Average Maturity | 7.0 years | 13.0 years |
| Percentage Fixed or Hedged | 100% | ~83% |
| Percentage in Functional Currency | 100% | ~99% |

1. Does not include $280 million of RLOC draws at US Utilities.

# No Recourse Debt Maturities Until 2025

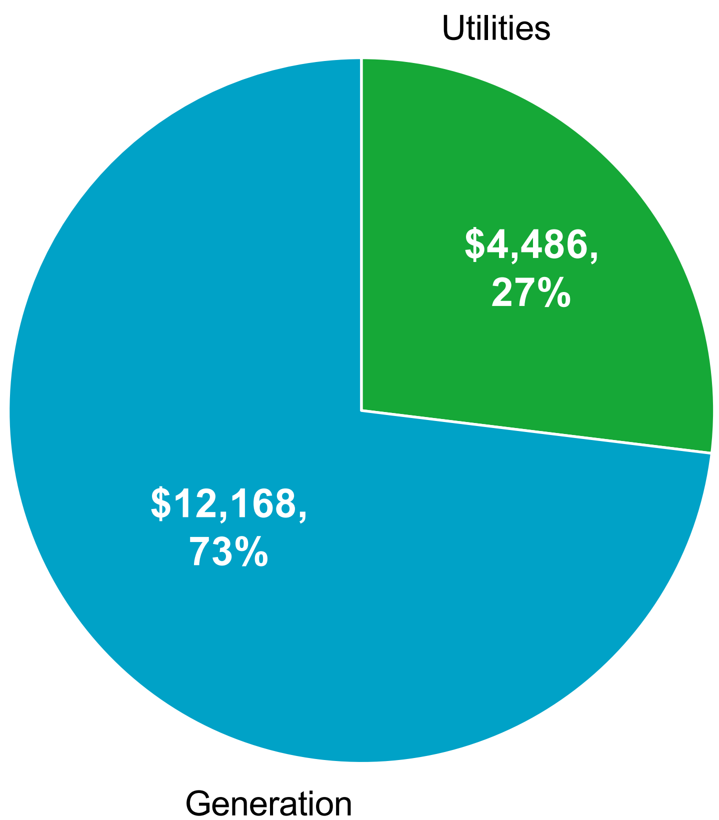
$ in Millions, as of June 30, 2021




| | Recourse Debt |
|---|---|
| Weighted Average All-in Cost | 2.73% |
| Weighted Average Maturity | 7.0 years |
| Percentage Fixed or Hedged | 100% |
| Percentage in Functional Currency | 100% |

# $16.7 Billion of Non-Recourse Debt[1]

$ in Millions, as of June 30, 2021




| | Non-Recourse Debt |
|---|---|
| Weighted Average All-in Cost | 4.94% |
| Weighted Average Maturity | 13.0 years |
| Percentage Fixed or Hedged | ~83% |
| Percentage in Functional Currency | ~99% |

1. Does not include $280 million of RLOC draws at US Utilities.

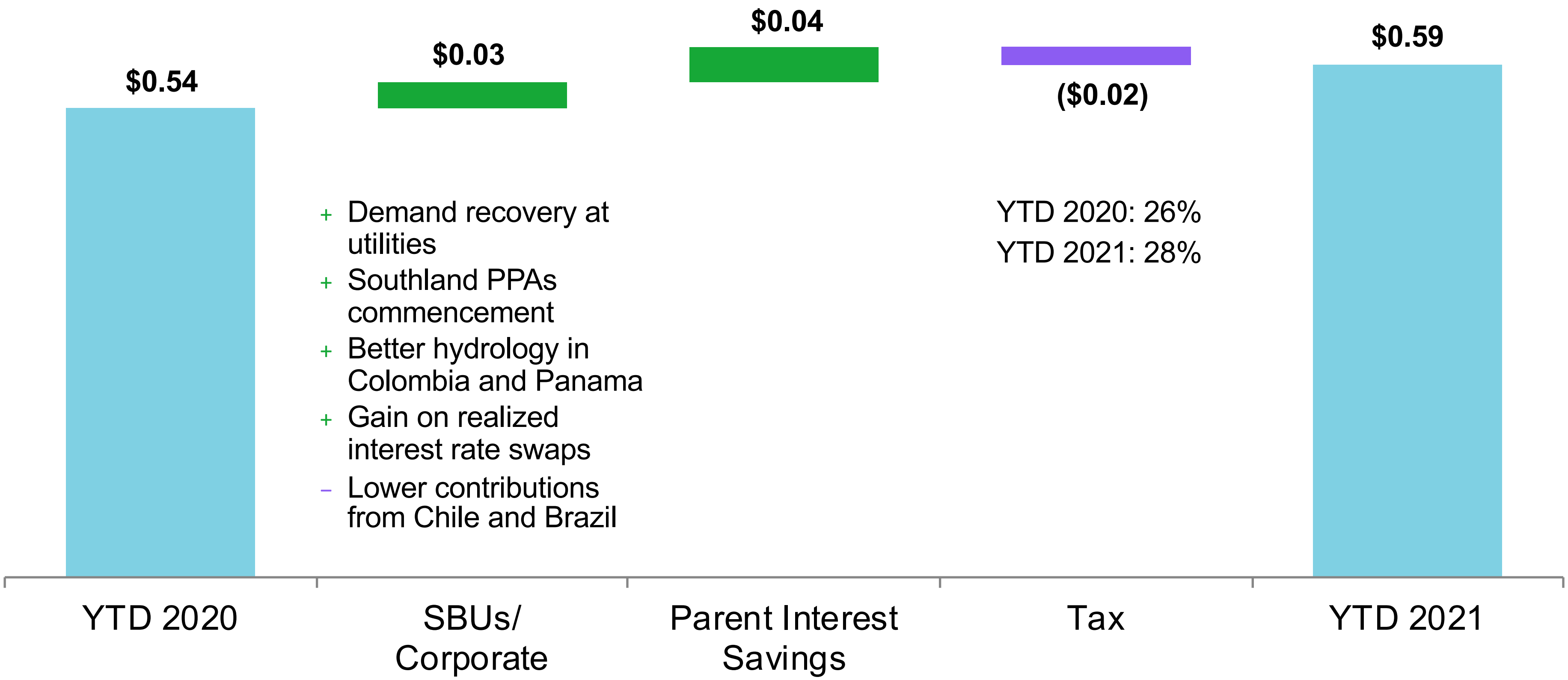
# Q2 & YTD Adjusted EPS[1] Roll-Up

## $ in Millions, Except Per Share Amounts

| | Q2 2021 | Q2 2020 | Variance | YTD 2021 | YTD 2020 | Variance |
|---|---|---|---|---|---|---|
| Adjusted PTC[1] | | | | | | |
| US & Utilities | $128 | $57 | $71 | $172 | $128 | $44 |
| South America | $96 | $140 | ($44) | $184 | $259 | ($75) |
| MCAC | $71 | $66 | $5 | $132 | $144 | ($12) |
| Eurasia | $48 | $49 | ($1) | $99 | $93 | $6 |
| Total SBUs | $343 | $312 | $31 | $587 | $624 | ($37) |
| Corp/Other | ($40) | ($74) | $34 | ($37) | ($136) | $99 |
| Total AES Adjusted PTC[1,2] | $303 | $238 | $65 | $550 | $488 | $62 |
| Adjusted Effective Tax Rate | 31% | 30% | | 28% | 26% | |
| Diluted Share Count | 670 | 667 | | 670 | 668 | |
| Adjusted EPS[1] | $0.31 | $0.25 | $0.06 | $0.59 | $0.54 | $0.05 |

1. A non-GAAP financial measure. See Slides 56-57 for reconciliation to the nearest GAAP measure and “definitions”.
2. Includes $15 million and $6 million of adjusted after-tax equity in earnings for the three months ended Q2 2021 and Q2 2020, respectively, and ($14) million and $12 million of adjusted after-tax equity in earnings for the six months ended Q2 2021 and Q2 2020, respectively.

# YTD 2021 Adjusted EPS[1] Increased $0.05




1. A non-GAAP financial measure. See Slide 57 for reconciliation to the nearest GAAP measure and "definitions".

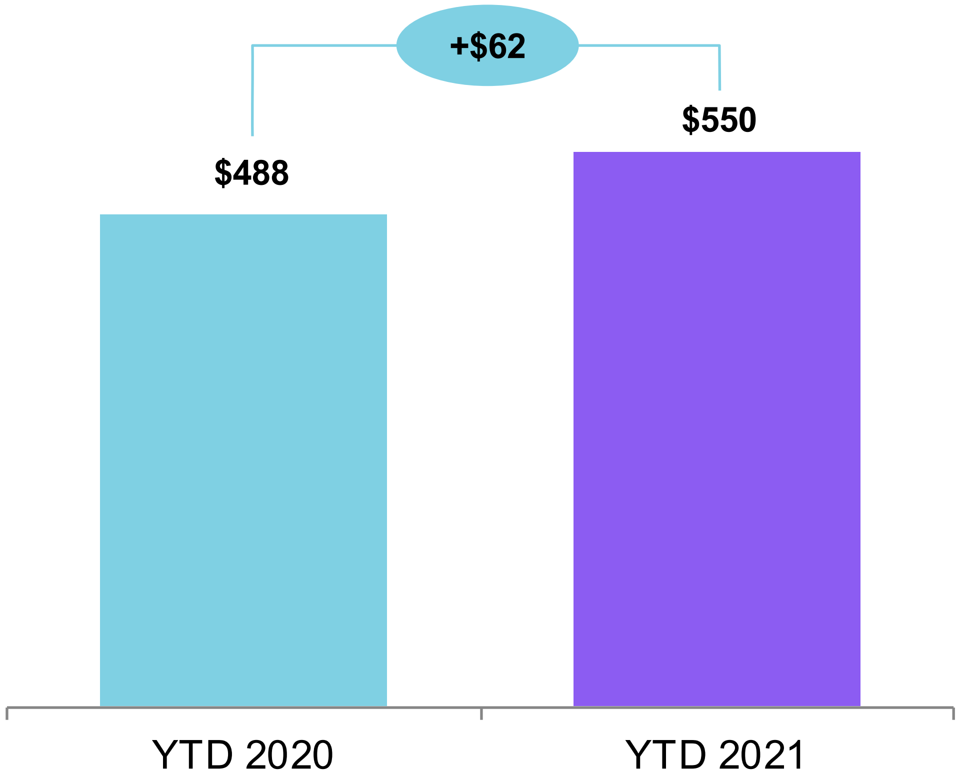
# YTD 2021 Financial Results

$ in Millions

→ Higher Adjusted PTC[1] driven primarily by:
- Higher contributions from US and Utilities; and
- Interest savings

→ Partially offset by lower contributions from South America and MCAC

## Adjusted PTC[1]




1. A non-GAAP financial measure. See Slide 57 for reconciliation to the nearest GAAP measure and "definitions".

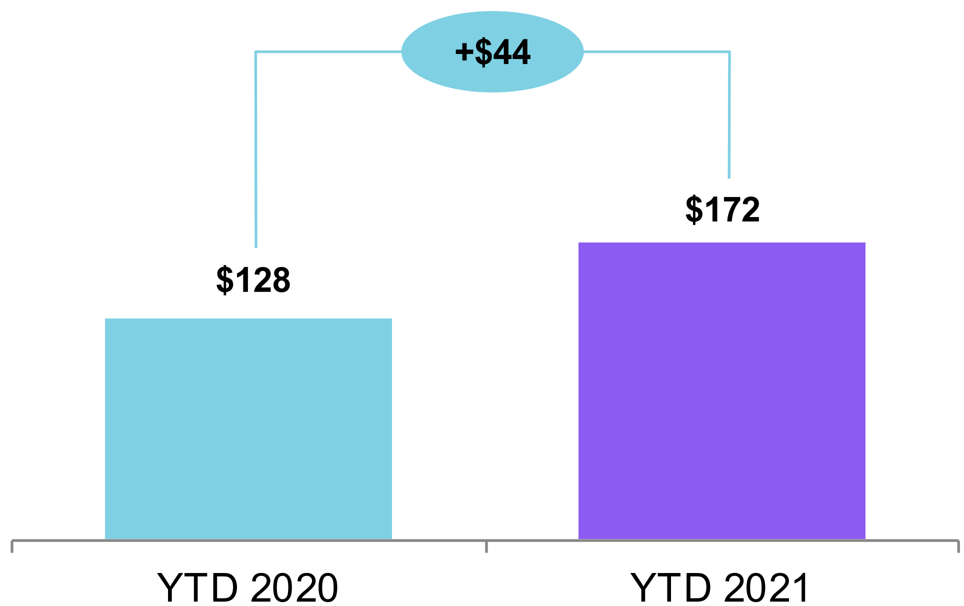
# YTD Financial Results: US & Utilities SBU

## $ in Millions

→ Higher Adjusted PTC[1] driven primarily by:

- Demand recovery at utilities; and
- Higher contributions from the commencement of new PPAs at Southland CCGTs

## Adjusted PTC[1]

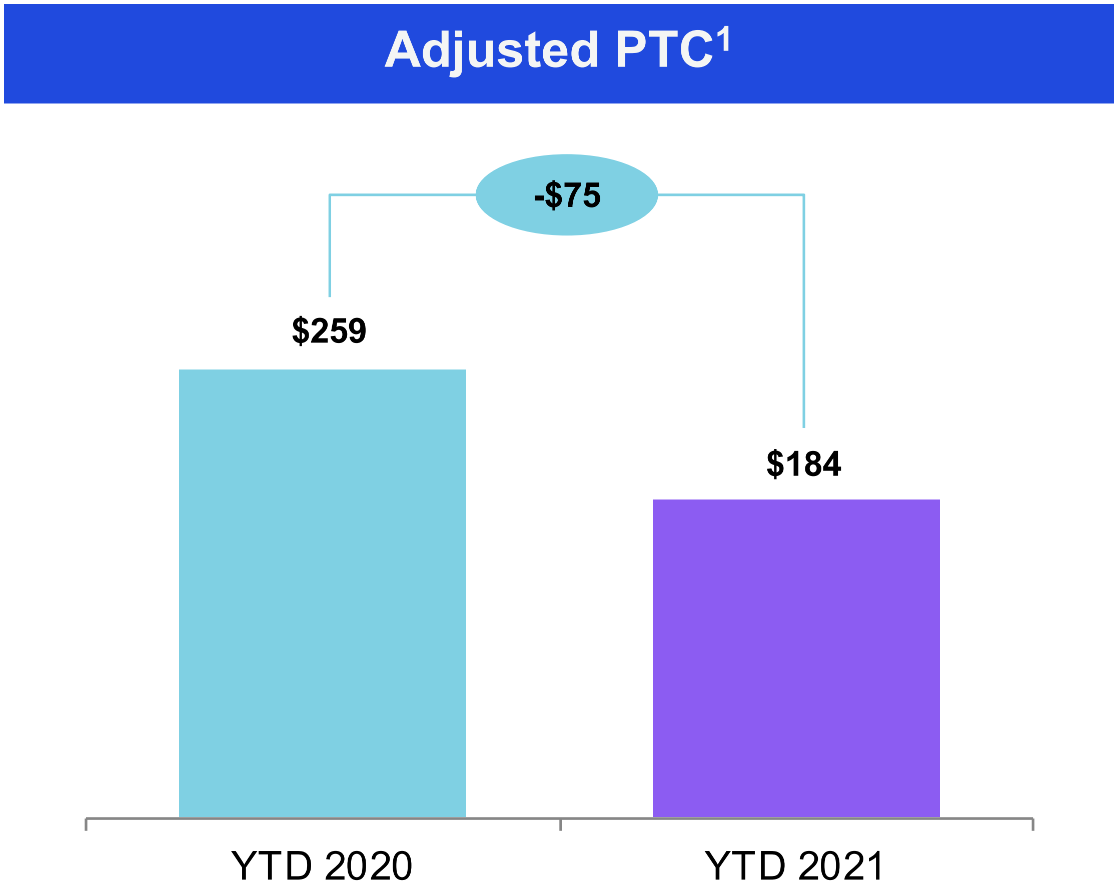



1. A non-GAAP financial measure. See “definitions”.

# YTD Financial Results: South America SBU

$ in Millions

- Lower Adjusted PTC[1] driven primarily by:
  - Recovery of expenses from customers in Chile in 2020;
  - Lower equity earnings from Guacolda in Chile;
  - Drier hydrology in Brazil; and
  - Higher realized FX losses in Argentina in Q1 2021
- Partially offset by improved availability at the Chivor hydro plant in Colombia




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

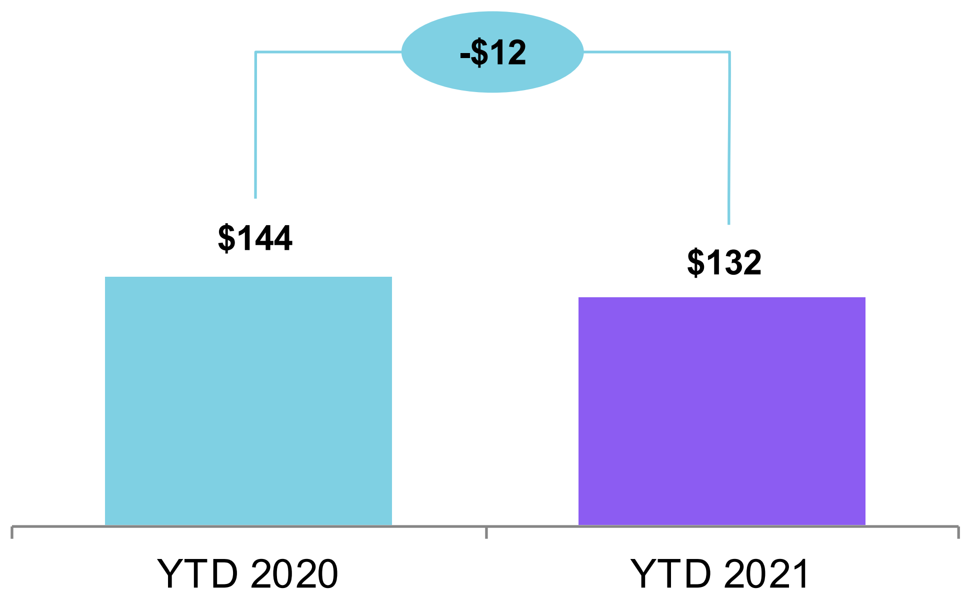
# YTD Financial Results: MCAC SBU

$ in Millions

→ Lower Adjusted PTC[1] driven primarily by:
- Lower availability at two facilities in the Dominican Republic and Mexico;
- Expiration in Q3 2020 of the 72 MW barge PPA in Panama; and
- Sale of Itabo in the Dominican Republic

→ Partially offset by better hydrology in Panama

## Adjusted PTC[1]



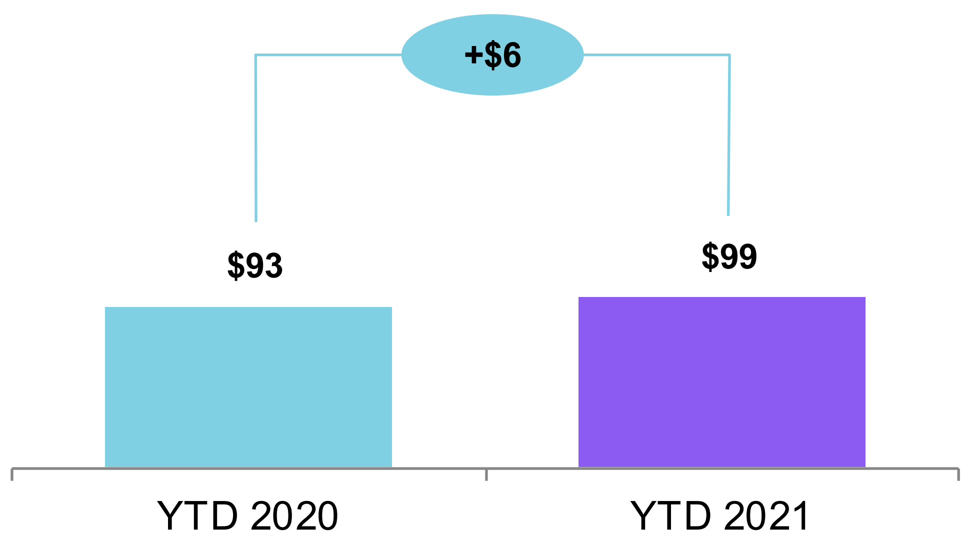

1. A non-GAAP financial measure. See "definitions".

# YTD Financial Results: Eurasia SBU

$ in Millions

→ Higher Adjusted PTC[1] driven primarily by improved operational performance and lower interest expense in Bulgaria

## Adjusted PTC[1]




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

# Q2 Adjusted PTC[1]: Reconciliation to Public Financials of Listed Subsidiaries & Public Filers

| AES SBU/Reporting Country | US & Utilities/US | | | | South America/Chile | | South America/Brazil | |
|---|---|---|---|---|---|---|---|---|
| AES Company | IPL | | DPL | | AES Andes[2] | | AES Brasil[2] | |
| $ in Millions | Q2 2021 | Q2 2020 | Q2 2021 | Q2 2020 | Q2 2021 | Q2 2020 | Q2 2021 | Q2 2020 |
| US GAAP Reconciliation | | | | | | | | |
| AES Business Unit Adjusted Earnings[1,3] | $12 | $14 | ($1) | - | $31 | $79 | $1 | $5 |
| Adjusted PTC[1,3] Public Filer (Stand-alone) | $15 | $18 | - | $3 | $73 | $112 | - | $7 |
| Impact of AES Differences from Public Filings | - | - | - | - | $4 | - | - | - |
| AES Business Unit Adjusted PTC[1] | $15 | $18 | - | $3 | $77 | $112 | - | $7 |
| Unrealized Derivatives and Equity Security Gains (Losses) | - | - | $1 | - | $4 | ($6) | ($15) | - |
| Unrealized Foreign Currency Gains (Losses) | - | - | - | - | ($3) | $3 | $11 | $1 |
| Impairment Expense | - | - | - | - | ($540) | - | - | - |
| Disposition/Acquisition Gains (Losses) | - | - | - | $3 | - | $1 | ($1) | - |
| Losses on Extinguishment of Debt | - | ($2) | - | - | ($1) | ($1) | - | - |
| Net gains from early contract terminations at Angamos | - | - | - | - | $110 | - | - | - |
| Non-Controlling Interest before Tax | $7 | $8 | - | - | ($166) | $55 | - | $24 |
| Income Tax Expenses | ($5) | ($5) | ($1) | ($3) | $139 | ($45) | $3 | ($11) |
| US GAAP Income from Continuing Operations[4] | $17 | $19 | - | $3 | ($380) | $119 | ($2) | $21 |
| Adjustment to Depreciation & Amortization[5] | | | | | ($10) | ($10) | ($2) | ($3) |
| Adjustment to Taxes | | | | | $22 | $12 | ($1) | $3 |
| Other Adjustments | | | | | ($69) | ($58) | $9 | - |
| IFRS Net Income | | | | | ($437) | $63 | $4 | $21 |
| BRL-USD Implied Exchange Rate | | | | | | | 5.3904 | 5.4409 |

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.

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.
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.

# Q2 2021 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 & Utilities | $128 | $92 | ($18) | $74 | $8 | ($2) | $6 | $132 | ($26) | $106 |
| DPL | $15 | $16 | - | $16 | - | - | - | $19 | - | $19 |
| IPL | - | $32 | ($9) | $23 | - | - | - | $63 | ($19) | $44 |
| South America | $96 | $56 | ($22) | $34 | $21 | ($3) | $18 | $73 | ($29) | $44 |
| AES Andes (AES Gener) | $77 | $15 | ($8) | $7 | $4 | ($1) | $3 | $43 | ($18) | $25 |
| AES Brasil (AES Tietê) | - | $21 | ($11) | $10 | $2 | ($1) | $1 | $18 | ($10) | $8 |
| MCAC | $71 | $35 | ($3) | $32 | $3 | ($1) | $2 | $38 | ($12) | $26 |
| Eurasia | $48 | $26 | ($10) | $16 | $41 | ($20) | $21 | $17 | - | $17 |
| Subtotal | $343 | $209 | ($53) | $156 | $73 | ($26) | $47 | $260 | ($67) | $193 |
| Corp/Other | ($40) | $28 | - | $28 | - | - | - | $3 | - | $3 |
| Total | $303 | $237 | ($53) | $184 | $73 | ($26) | $47 | $263 | ($67) | $196 |

1. A non-GAAP financial measure. See Slide 56 for reconciliation to the nearest GAAP measure and “definitions”.

# Q2 2021 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 & Utilities | $8,049 | ($1,535) | $6,514 | $750 | ($107) | $643 |
| DPL | $1,574 | - | $1,574 | $17 | - | $17 |
| IPL | $2,752 | ($825) | $1,927 | $21 | ($7) | $14 |
| South America | $3,978 | ($1,589) | $2,389 | $616 | ($228) | $388 |
| AES Andes (AES Gener) | $3,976 | ($1,615) | $2,361 | $183 | ($63) | $120 |
| AES Brasil (AES Tietê) | $1,076 | ($587) | $489 | $229 | ($135) | $94 |
| MCAC | $2,398 | ($103) | $2,295 | $246 | ($64) | $182 |
| Eurasia | $2,222 | ($691) | $1,531 | $147 | ($7) | $140 |
| Subtotal | $16,647 | ($3,918) | $12,729 | $1,759 | ($406) | $1,353 |
| Corp/Other | $3,362 | - | $3,362 | $549 | - | $549 |
| Total | $20,009 | ($3,918) | $16,091 | $2,308 | ($406) | $1,902 |

# 2021 Adjusted PTC Modeling Ranges

## $ in Millions

| SBU | 2021 Adjusted PTC Modeling Ranges as of 2/25/21[1] | Drivers of Growth Versus 2020 |
|---|---|---|
| US & Utilities | $620-$650 | + Southland Energy full year operations<br>+ Renewables<br>+ Normalized pre-COVID demand |
| South America | $430-$450 | − Brazil GSF revision in 2020<br>+ Normalized hydrology |
| MCAC | $300-$320 | + Higher availability in DR and Panama<br>− Itabo sale |
| Eurasia | $160-$170 | − OPGC |
| Total SBUs | $1,510-$1,590 | |
| Corporate & Other[2] | ($165)-($175) | + Interest savings<br>+ Cost savings |
| Total AES Adjusted PTC[1,2] | $1,345-$1,415 | |

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

# AES Modeling Disclosures

## $ in Millions

| | 2021 |
|---|---|
| Subsidiary Distributions (a) | $1,050-$1,100 |
| Cash Interest (b) | ($95) |
| Corporate Overhead | ($90) |
| Parent-Funded SBU Overhead | ($85) |
| Business Development/Taxes | ($5) |
| Cash for Development, General & Administrative and Tax (c) | ($180) |
| Parent Free Cash Flow[1] (a – b – c) | $775-$825 |

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 "definitions".

# Year-to-Go 2021 Guidance Estimated Sensitivities

**Interest Rates**[1]

100 bps increase in interest rates over 2021 is forecasted to have a change in Adjusted EPS of approximately ($0.010)

**Currencies**

| 10% appreciation of USD against following currencies is forecasted to have the following Adjusted EPS impacts: | Year-to-Go 2021 | |
|---|---|---|
| | Average Rate | Sensitivity |
| Argentine Peso (ARS) [2] | 100.42 | ($0.005) |
| Brazilian Real (BRL) [2] | 5.05 | Less than $0.005 |
| Chilean Peso (CLP) | 736 | Less than $0.005 |
| Colombian Peso (COP) | 3,775 | Less than ($0.005) |
| Dominican Peso (DOP) | 57.20 | $0.015 |
| Euro (EUR) | 1.19 | ($0.005) |
| Mexican Peso (MXN) | 20.17 | $0.015 |

**Commodity**

| 10% increase in commodity prices is forecasted to have the following Adjusted EPS impacts: | Year-to-Go 2021 | |
|---|---|---|
| | Average Rate | Sensitivity |
| IPE Brent Crude Oil | $73.10/bbl | Less than ($0.005) |
| NYMEX Henry Hub Natural Gas | $3.65/mmbtu | ($0.005) |
| Rotterdam Coal (API 2) | $112.65/ton | Less than ($0.005) |
| US Power – SP15 | $71.65/MWh | Less than ($0.005) |

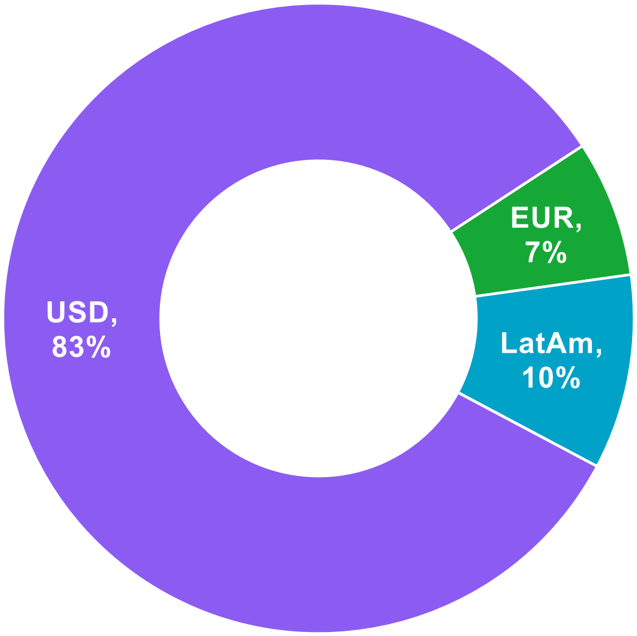
Note: Guidance reaffirmed on August 5, 2021. Sensitivities are provided on a standalone basis, assuming no change in the other factors, to illustrate the magnitude and direction of changing key market factors on AES' results. Estimates show the impact on year-to-go 2021 Adjusted EPS. Actual results may differ from the sensitivities provided due to execution of risk management strategies, local market dynamics and operational factors. Full year 2021 guidance is based on currency and commodity forward curves and forecasts as of June 30, 2021. 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, natural gas and power indices; forward curves are provided for representative liquid markets. Sensitivities are rounded to the nearest $0.005 per share.

1. The move is applied to the floating interest rate portfolio balances as of June 30, 2021.
2. Argentine Peso and Brazilian Real sensitivities are based on AES internal FX rate assessment.

# Limited Exposure to Fluctuations in Foreign Currency

## 2021-2023 Cumulative Exposure

### Composition by Currency




### Annualized Impact[1] of 10% USD Appreciation on Adjusted PTC[2] After Hedging

| Non-USD Currencies | $ in Millions |
|---|---|
| Argentine Peso (ARS) | ($14.0) |
| Euro (EUR) | ($8.0) |
| Colombian Peso (COP) | ($6.0) |
| Chilean Peso (CLP) | $4.0 |
| Brazilian Real (BRL) | ($1.0) |
| Others | <($0) |
| % of Annualized Adjusted PTC[2] | 1.5% |

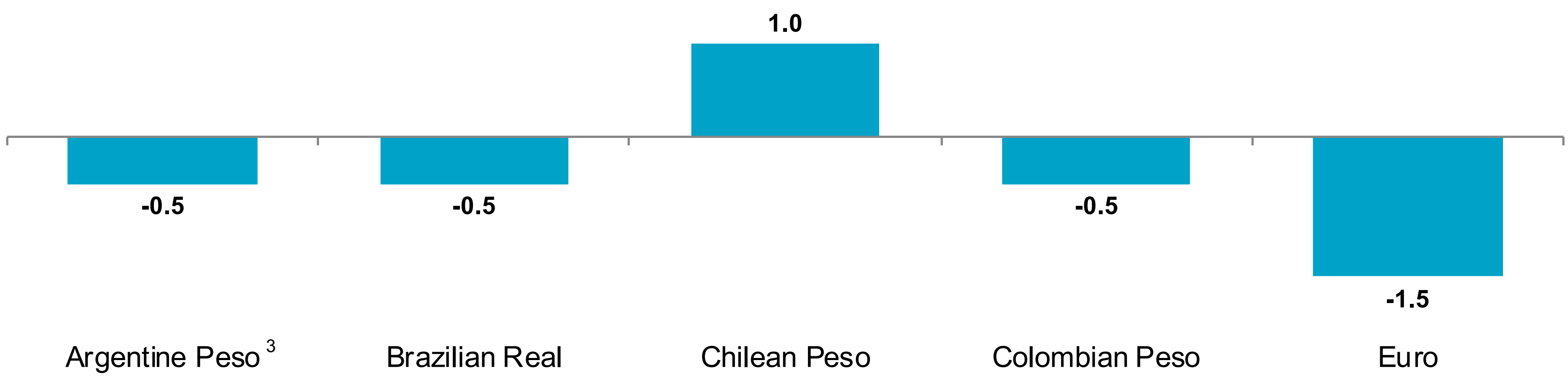
**$0.03 Annualized EPS Impact From 10% Appreciation of USD**

1. 10% USD appreciation relative to currency market forward curves as of June 30, 2021. Exception: Argentine Peso and Brazilian Real forward curves are based on AES internal FX rate assessment. Sensitivities are rounded to the nearest $1M. Excludes inflation adjustments earned through contracts in Argentina and Colombia that provide additional benefit.
2. As of June 30, 2021. A non-GAAP financial measure. See “definitions”.

# Foreign Exchange (FX) Risk Before Hedges

## Cents Per Share

### Full Year 2023 Adjusted EPS[1] FX Sensitivity[2]



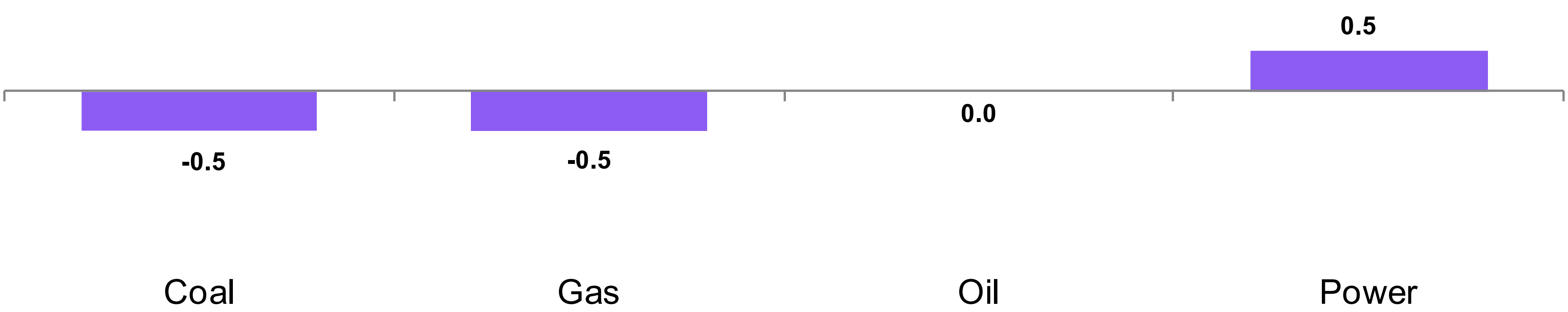

- 2023 FX risk for 10% US Dollar appreciation against foreign currency, before impact of financial hedge instruments
- Estimated realized FX moves include inflation adjustments earned through contracts in Argentina and Colombia; historic analysis indicates that such adjustments could offset FX risk by at least 60% in Argentina and 80% in Colombia over a 3-year period

1. A non-GAAP financial measure. See "definitions".
2. Sensitivity represents full year 2023 exposure as of December 31, 2020.
3. Argentine Peso 2023 sensitivity based on AES internal FX rate assessment (Average USD/ARS rate = 180) due to lack of liquidity in forward market.

# Commodity Risk

## Cents Per Share

### Full Year 2023 Adjusted EPS[1] Commodity Sensitivity[2]




1. A non-GAAP financial measure. See “definitions”.
2. Sensitivities assumes fuel moves 10% relative to commodities as of December 31, 2020. Adjusted EPS is negatively correlated to coal and oil price movement, and positively correlated gas and power price movements.

# PPAs Signed in YTD 2021

| Project | Location | Technology | Gross MW | AES Equity Interest | Expected COD[1] | PPA Length (Years) |
|---|---|---|---|---|---|---|
| AES Indiana | US-IN | Solar | 445 | 70% | 1H 2023-1H 2024 | N/A[2] |
| | | Energy Storage | 45 | | | |
| AES Clean Energy[3] | US-Various | Solar | 771 | 50%-100% | 2H 2021-2H 2023 | 10-25 |
| | | Wind | 971 | | | |
| | | Energy Storage | 285 | | | |
| | | Hydro | 24 | | | |
| AES Brasil | Brazil | Wind | 371 | 46% | 1H 2023-1H 2024 | 15-20 |
| Total YTD 2021 | | | 2,912 | | | |

1. Commercial Operations Date.
2. Projects will be built under build-transfer structures and will be owned by AES Indiana project companies.
3. 612 MW wind acquisition expected to close in the second half of 2021.

# Reconciliation of Q2 Adjusted PTC[1] and Adjusted EPS[1]

| $ in Millions, Except Per Share Amounts | Q2 2021 Net of NCI[2] | Q2 2021 Per Share (Diluted) Net of NCI[2] | Q2 2020 Net of NCI[2] | Q2 2020 Per Share (Diluted) Net of NCI[2] |
|---|---|---|---|---|
| Income (Loss) from Continuing Operations, Net of Tax, Attributable to AES and Diluted EPS | $24 | $0.03 | ($86) | ($0.13) |
| Add: Income Tax Expense (Benefit) from Continuing Operations Attributable to AES | ($24) | | $81 | |
| Pre-Tax Contribution | - | | ($5) | |
| Adjustments | | | | |
| Unrealized Derivative and Equity Securities Losses (Gains) | $8 | $0.01 | $14 | $0.02 |
| Unrealized Foreign Currency Losses | ($12) | ($0.02) | ($12) | ($0.01) |
| Disposition/Acquisition Losses (Gains) | ($229) | ($0.34)[3] | $29 | $0.04[4] |
| Impairment Losses | $628 | $0.94[5] | $168 | $0.25[6] |
| Loss on Extinguishment of Debt | $18 | $0.03[7] | $44 | $0.07[8] |
| Net Gains from Early Contract Terminations at Angamos | ($110) | ($0.16)[9] | - | - |
| U.S. Tax Law Reform Impact | - | - | - | $0.02[10] |
| Less: Net Income Tax Benefit | - | ($0.18)[11] | - | ($0.01) |
| Adjusted PTC[1] & Adjusted EPS[1] | $303 | $0.31 | $238 | $0.25 |

1. A Non-GAAP financial measure. See "definitions".
2. NCI is defined as Noncontrolling Interests.
3. Amount primarily relates to an adjustment on the gain on remeasurement of our equity interest in sPower to acquisition-date fair value of $176 million, or $0.26, and gain on Fluence issuance of shares of $61 million, or $0.09 per share.
4. Amount primarily relates to loss on sale of the Kazakhstan HPPs of $30 million, or $0.05 per share, as result of the final arbitration decision. shares of $13 million, or $0.02 per share.
5. Amount primarily relates to asset impairments at AES Andes of $540 million, or $0.81 per share, at Mountain View of $67 million, or $0.10 per share, and at sPower of $20 million, or $0.03 per share.
6. Amount primarily relates to other-than-temporary impairment of OPGC of $158 million, or $0.24 per share, and impairments at our sPower equity affiliate, impacting equity earnings by $10 million, or $0.01 per share.
7. Amount primarily relates to loss on early retirement of debt at Andres and Los Mina of $15 million, or $0.02 per share.
8. Amount primarily relates to loss on early retirement of debt at the Parent Company of $37 million, or $0.06 per share.
9. Amount relates 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 and $220 million, or $0.33 per share for the three and six months ended June 30, 2021, respectively.
10. Amount represents adjustment to tax law reform remeasurement due to incremental deferred taxes related to DPL of $16 million, or $0.02 per share.
11. Amount primarily relates to income tax benefits associated with the impairments at AES Andes of $195 million, or $0.29 per share and at Mountain View of $21 million, or $0.03, 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 $51 million, or $0.08 per share, income tax expense related to the gain on remeasurement of our equity interest in sPower to acquisition-date fair value of $39 million, or $0.06 per share, and income tax expense related to the gain on Fluence issuance of shares of $13 million, or $0.02 per share.

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

| $ in Millions, Except Per Share Amounts | YTD 2021 | | YTD 2020 | |
|---|---|---|---|---|
| | 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 | ($124) | ($0.19) | $58 | $0.09 |
| Add: Income Tax Expense (Benefit) from Continuing Operations Attributable to AES | ($60) | | $136 | |
| Pre-Tax Contribution | ($184) | | $194 | |
| Adjustments | | | | |
| Unrealized Derivative and Equity Securities Losses (Gains) | $77 | $0.12[3] | ($2) | - |
| Unrealized Foreign Currency Losses | ($6) | ($0.01) | ($3) | - |
| Disposition/Acquisition Losses (Gains) | ($244) | ($0.37)[4] | $30 | $0.04[5] |
| Impairment Losses | $1,103 | $1.65[6] | $221 | $0.33[7] |
| Loss on Extinguishment of Debt | $24 | $0.04[8] | $48 | $0.07[9] |
| Net Gains from Early Contract Terminations at Angamos | ($220) | ($0.33)[10] | - | - |
| U.S. Tax Law Reform Impact | - | - | - | $0.02[11] |
| Less: Net Income Tax Benefit | - | ($0.32)[12] | - | ($0.01) |
| Adjusted PTC[1] & Adjusted EPS[1] | $550 | $0.59 | $488 | $0.54 |

1. A Non-GAAP financial measure. See "definitions".
2. NCI is defined as Noncontrolling Interests.
3. Amount primarily relates to unrealized derivative losses in Argentina mainly associated with foreign currency derivatives on government receivables of $41 million, or $0.06 per share, and net unrealized derivative losses on power and commodities swaps at Southland of $32 million, or $0.05 per share.
4. Amount primarily relates to an adjustment on the gain on remeasurement of our equity interest in sPower to acquisition-date fair value of $212 million, or $0.32, and gain on Fluence issuance of shares of $61 million, or $0.09 per share, partially offset by day-one loss recognized at commencement of a sales-type lease at AES Distributed Energy of $13 million, or $0.02 per share.
5. Amount primarily relates to loss on sale of the Kazakhstan HPPs of $30 million, or $0.05 per share, as result of the final arbitration decision.
6. Amount primarily relates to asset impairments at AES Andes of $540 million, or $0.81 per share, at Puerto Rico of $475 million, or $0.71 per share, at Mountain View of $67 million, or $0.10 per share, and at sPower of $21 million, or $0.03 per share.
7. Amount primarily relates to other-than-temporary impairment of OPGC of $201 million, or $0.30 per share, and impairments at our sPower equity affiliate, impacting equity earnings by $15 million, or $0.02 per share.
8. Amount primarily relates to loss on early retirement of debt at Andres and Los Mina of $15 million, or $0.02 per share.
9. Amount primarily relates to loss on early retirement of debt at the Parent Company of $37 million, or $0.06 per share.
10. Amount relates 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 and $220 million, or $0.33 per share for the three and six months ended June 30, 2021, respectively.
11. Amount represents adjustment to tax law reform remeasurement due to incremental deferred taxes related to DPL of $16 million, or $0.02 per share.
12. Amount primarily relates to income tax benefits associated with the impairments at AES Andes of $195 million, or $0.29 per share, at at Puerto Rico of $114 million, or $0.17 per share, and at Mountain View of $21 million, or $0.03, 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 $79 million, or $0.12 per share, income tax expense related to the gain on remeasurement of our equity interest in sPower to acquisition-date fair value of $46 million, or $0.07 per share, and income tax expense related to the gain on Fluence issuance of shares of $13 million, or $0.02 per share.

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

| $ in Millions, Except Per Share Amounts | FY 2020 Net of NCI[2] | FY 2020 Per Share (Diluted) Net of NCI[2] | FY 2019 Net of NCI[2] | FY 2019 Per Share (Diluted) Net of NCI[2] |
|---|---|---|---|---|
| Income from Continuing Operations, Net of Tax, Attributable to AES and Diluted EPS | $43 | $0.06 | $302 | $0.45 |
| Add: Income Tax Expense from Continuing Operations Attributable to AES | $130 | | $250 | |
| Pre-Tax Contribution | $173 | | $552 | |
| Adjustments | | | | |
| Unrealized Derivative and Equity Securities Losses | $3 | $0.01 | $113 | $0.17[3] |
| Unrealized Foreign Currency Losses (Gains) | ($10) | ($0.01) | $36 | $0.05[4] |
| Disposition/Acquisition Losses | $112 | $0.17[5] | $12 | $0.02[6] |
| Impairment Expense | $928 | $1.39[7] | $406 | $0.61[8] |
| Loss on Extinguishment of Debt | $223 | $0.33[9] | $121 | $0.18[10] |
| Net Gains from Early Contract Terminations at Angamos | ($182) | ($0.27)[11] | - | - |
| U.S. Tax Law Reform Impact | - | $0.02[12] | - | ($0.01) |
| Less: Net Income Tax Benefit | - | ($0.26)[13] | - | ($0.11)[14] |
| Adjusted PTC[1] & Adjusted EPS[1] | $1,247 | $1.44 | $1,240 | $1.36 |

1. A Non-GAAP financial measure. See "definitions".
2. NCI is defined as Noncontrolling Interests.
3. Amount primarily relates to unrealized derivative losses in Argentina of $89 million, or $0.13 per share, mainly associated with foreign currency derivatives on government receivables.
4. Amount primarily relates to unrealized FX losses in Argentina of $25 million, or $0.04 per share, mainly associated with the devaluation of long-term receivables denominated in Argentine pesos, and unrealized FX losses at the Parent Company of $12 million, or $0.02 per share, mainly associated with intercompany receivables denominated in Euro.
5. 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.
6. Amount primarily relates to losses recognized at commencement of sales-type leases at Distributed Energy of $36 million, or $0.05 per share, and loss on sale of Kilroot and Ballylumford of $31 million, or $0.05 per share; partially offset by gain on sale of a portion of our interest in sPower's operating assets of $28 million, or $0.04 per share, gain on disposal of Stuart and Killen at AES Ohio (DPL) of $20 million, or $0.03 per share, and gain on sale of ownership interest in Simple Energy as part of the Uplight merger of $12 million, or $0.02 per share.
7. 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.
8. Amount primarily relates to asset impairments at Kilroot and Ballylumford of $115 million, or $0.17 per share, and Hawaii of $60 million, or $0.09 per share; impairments at our Guacolda and sPower equity affiliates, impacting equity earnings by $105 million, or $0.16 per share, and $21 million, or $0.03 per share, respectively; and other-than-temporary impairment of OPGC of $92 million, or $0.14 per share.
9. 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.
10. Amount primarily relates to losses on early retirement of debt at AES Ohio (DPL) of $45 million, or $0.07 per share, AES Gener of $35 million, or $0.05 per share, Mong Duong of $17 million, or $0.03 per share, and Colon of $14 million, or $0.02 per share.
11. 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.
12. 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.
13. 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.
14. Amount primarily relates to the income tax benefits associated with the impairments at OPGC of $23 million, or $0.03 per share, Guacolda of $13 million, or $0.02 per share, Hawaii of $13 million, or $0.02 per share, and Kilroot and Ballylumford of $11 million, or $0.02 per share, and income tax benefits associated with losses on early retirement of debt of $24 million, or $0.04 per share; partially offset by an adjustment to income tax expense related to 2018 gains on sales of business interests, primarily Masinloc, of $25 million, or $0.04 per share.

# Reconciliation of Parent Free Cash Flow[1]

| $ in Millions | 2020 | 2019 | 2018 |
|---|---|---|---|
| Net Cash Provided by Operating Activities at the Parent Company[2] | $434 | $583 | $409 |
| Subsidiary Distributions to QHCs Excluded from Schedule 1[3] | $198 | $183 | $117 |
| Subsidiary Distributions Classified in Investing Activities[4] | $238 | $60 | $267 |
| Parent-Funded SBU Overhead and Other Expenses Classified in Investing Activities[5] | ($85) | ($97) | ($84) |
| Other | ($8) | ($3) | ($20) |
| Parent Free Cash Flow[1] | $777 | $726 | $689 |

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.
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.