# The AES Corporation
# First Quarter 2012 Financial Review

**May 4, 2012**

# Safe Harbor Disclosure

Certain statements in the following presentation regarding AES' business operations may constitute "forward-looking statements." Such forward-looking statements include, but are not limited to, those related to future earnings growth and financial and operating performance. Forward-looking statements are not intended to be a guarantee of future results, but instead constitute AES' current expectations based on reasonable assumptions. Forecasted financial information is based on certain material assumptions. These assumptions include, but are not limited to accurate projections of future interest rates, commodity prices and foreign currency pricing, continued normal or better levels of operating performance and electricity demand at our distribution companies and operational performance at our generation businesses consistent with historical levels, as well as achievements of planned productivity improvements and incremental growth from investments at investment levels and rates of return consistent with prior experience. For additional assumptions see Slide 34 and the Appendix to this presentation. Actual results could differ materially from those projected in our forward-looking statements due to risks, uncertainties and other factors. Important factors that could affect actual results are discussed in AES' filings with the Securities and Exchange Commission including but not limited to the risks discussed under Item 1A "Risk Factors" in AES' 2011 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.

# First Quarter 2012 Earnings Call

## Agenda

- Updates on key initiatives:
  - DP&L
  - Asset sales
- Capital allocation
- Business development
- First quarter 2012 results and 2012 guidance
- Key takeaways

## Key Highlights

**DP&L Performance Consistent with Expectations**

**Closed Red Oak & Ironwood ($227 million)/ Announced Sale of China Hydro ($48 million)**

**Increased Authorization for Share Repurchases by $180 Million; Paid Down $482 million of Debt**

**Strong First Quarter Results Put Us On Track for Full Year 2012**

# DP&L: Key Areas of Focus

1. Obtain a constructive outcome in the rate proceeding for 2013
2. Execute on our retail strategy
3. Achieve operating efficiencies

**DP&L is Performing in Line With Our Expectations**

# Asset Sales: Successfully Narrowing Our Geographic Focus, While Creating Shareholder Value

| Business | AES Share of Proceeds ($ Millions) | | Remarks |
|---|---|---|---|
| Atimus (Brazil Telecom) | $284[2] | $756 closed | Non-core asset; Paid down $197[2] million in debt at Brasiliana subsidiary |
| Bohemia (Czech Republic) | $12 | | Completed exit from non-core Market |
| Edes and Edelap (Argentina) | $4 | | Underperforming business |
| Cartagena[1] (Spain) | $229 | | No expansion potential |
| Red Oak (U.S.) | $142 | | No expansion potential |
| Ironwood (U.S.) | $85 | | |
| JHRH (China) | $48 – Signed | | Non-core market; expected to close 2H 2012 |
| **Total** | **$804** | | |

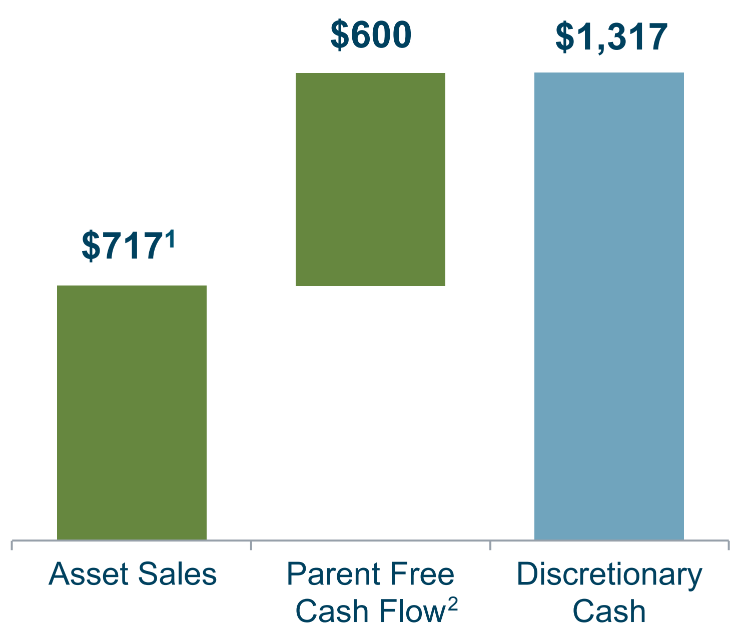
- Operations of above businesses contributed approximately $36 million in adjusted after-tax earnings in 2011[3]
- Price/2011 adjusted earnings multiple for all transactions of more than 20x
- $1.7 billion debt deconsolidated from AES' balance sheet following completion of transactions

1. Sold 80% of our interest to GDF Suez in February 2012. GDF Suez has the option to buy the remaining 20% interest in 2013.
2. AES owns 46% of its Brasiliana subsidiary. Proceeds and debt reflect AES' ownership percentage.
3. Adjusted for unrealized gains/losses in foreign exchange and derivatives, impairments and significant gains/losses on the disposition of these businesses.

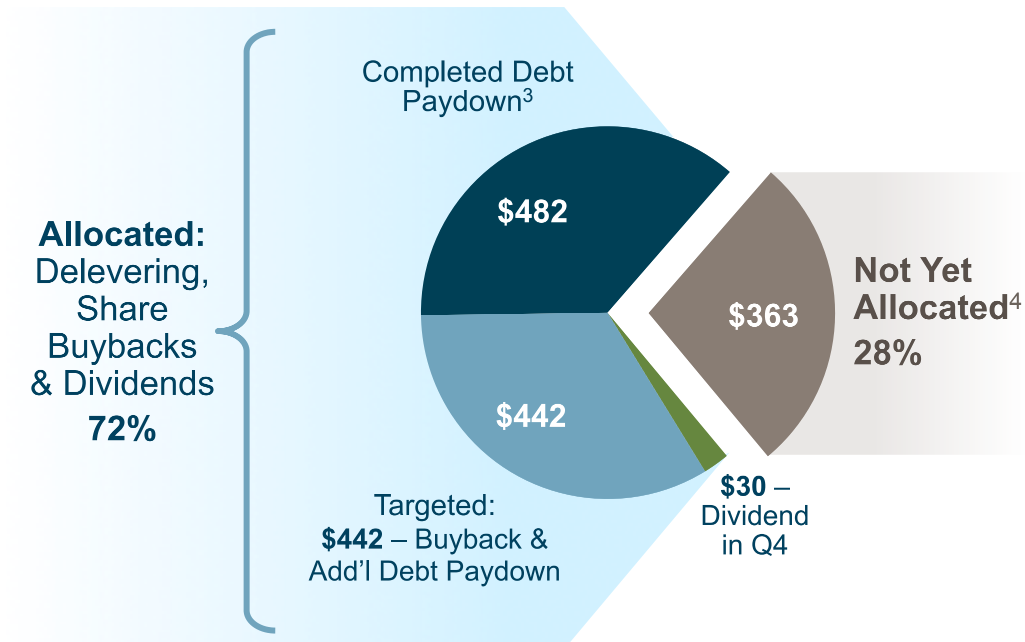
# Balanced Approach to Capital Allocation in 2012

## $ in Millions

### Discretionary Cash – Sources ($1,317)




### Discretionary Cash – Uses ($1,317)




**Unallocated Cash to Be Invested According to Capital Allocation Framework to Achieve Total Return Targets**

1. Excludes ($87 million) dividend related to Atimus (Brazil Telecom), which is included in Parent Free Cash Flow.
2. Mid-point of 2012 parent free cash flow guidance range given on May 4, 2012. A non-GAAP financial measure. See Appendix for definition and reconciliation.
3. Completed $482 million debt paydown: $285 million corporate revolver and $197 million non-recourse debt.
4. Not yet allocated $363 million will be used for investment in growth, stock buyback and/or debt repayment.

# Advanced Development Projects


**Cochrane (532 MW Coal-Fired)**

- Adjacent to Angamos facility; plant site owned by Angamos
- Includes 20 MW battery storage facility (BESS)
- Environmental permit and maritime concession granted

**Alto Maipo (531 MW Run-of-River Hydro)**

- 50 km East of Santiago
- Environmental, water and civil works permits obtained


**Masinloc 2 (630 MW Coal-Fired)**

- Adjacent to existing Masinloc facility (660 MW)
- Benefitting from existing infrastructure

# Financial Results

## Agenda

- First quarter 2012 results
  - Gross margin and key drivers
  - EPS
  - Cash from operations and free cash flow[1]
  - Parent liquidity[1]
- 2012 Guidance

## Key Highlights

**54% Increase in Adjusted EPS[1]**

**New Businesses and Volume Growth in Latin America & One-Time Benefit from Settlement in Spain are Key Drivers**

**Parent liquidity[2] increases by $218 million to $911 million**

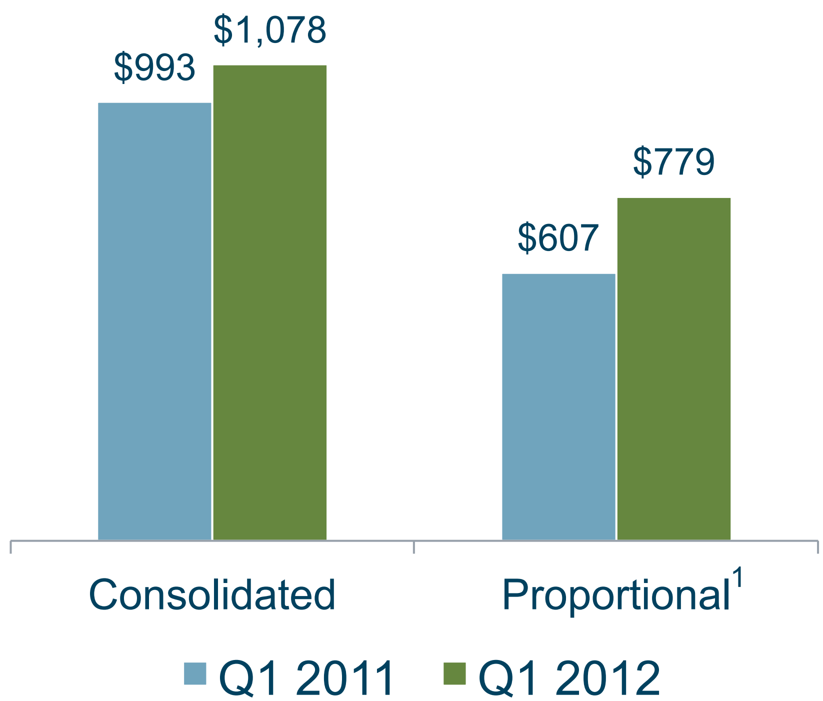
**Reaffirming Adjusted EPS[1] and Cash Flow Guidance; Updating Diluted EPS from Continuing Operations to Reflect Q1 Impairments**

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

# Gross Margin Results for Q1 2012

## $ in Millions

### Gross Margin

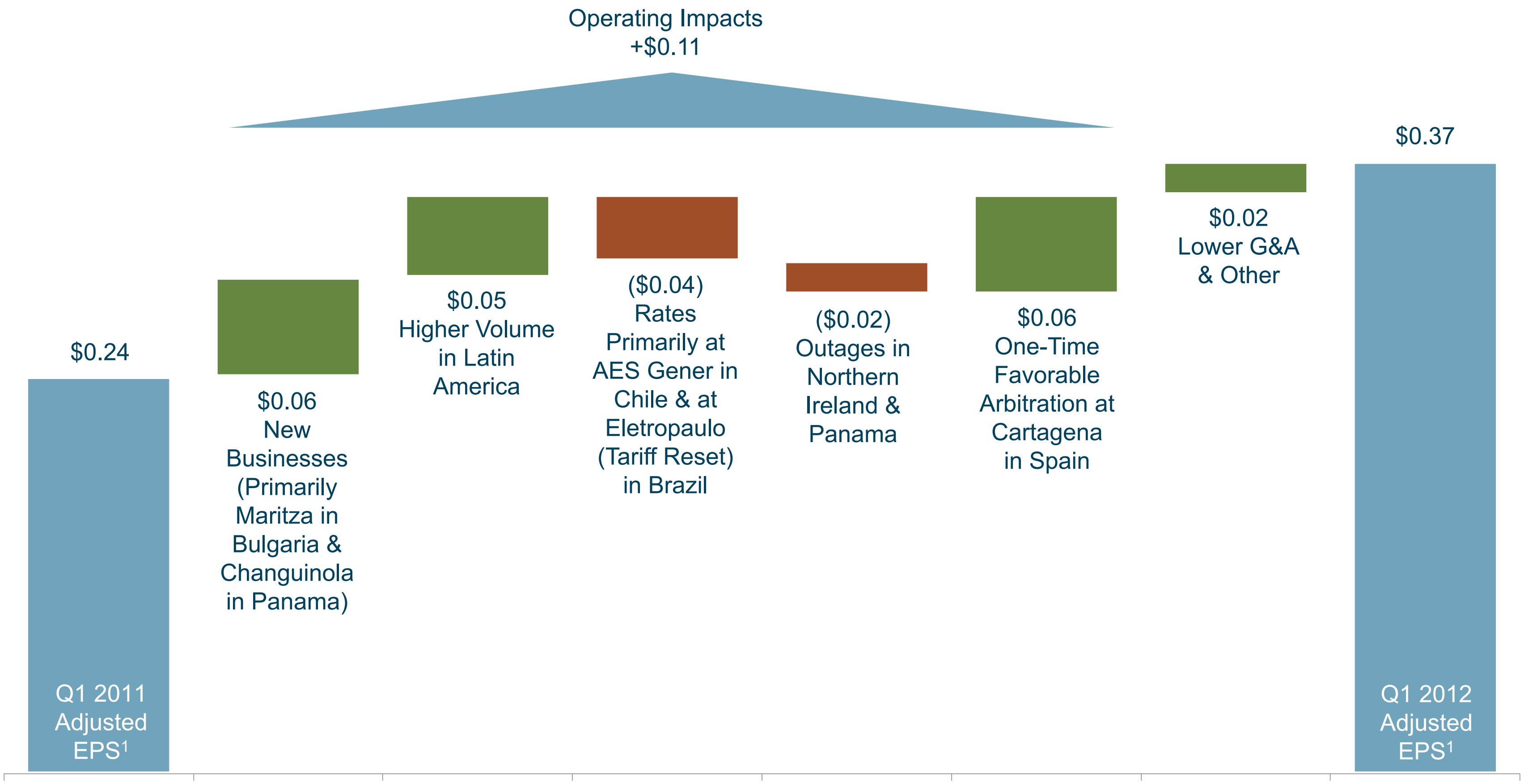



### Key Drivers of Proportional Gross Margin[1] (+$172)

- New businesses
  - DP&L (U.S.), Maritza (Bulgaria), Angamos (Chile) and Changuinola (Panama)
- Higher volumes, especially in Latin America
- Favorable arbitration settlement at Cartagena in Spain (one-time)
- Partially offset by a decrease at Eletropaulo (Brazil) and lower spot prices in Chile

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

# Q1 2012 Adjusted EPS[1] Increased $0.13

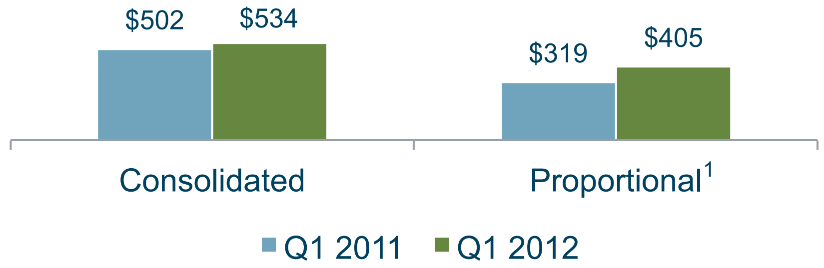



1. A non-GAAP financial measure. See Appendix for definition and reconciliation.

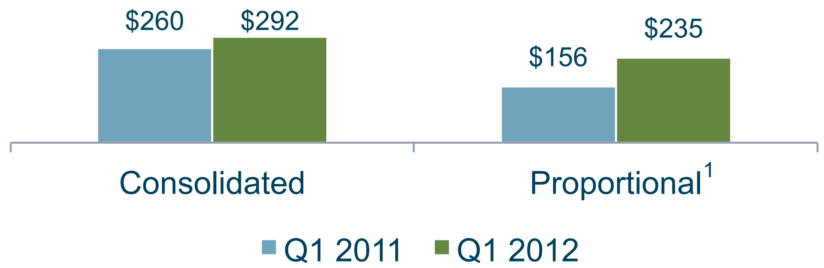
# Cash Flow Results for Q1 2012

## $ in Millions

### Operating Cash Flow Results




### Free Cash Flow Results[1]




### Key Drivers of Changes in Cash Flow

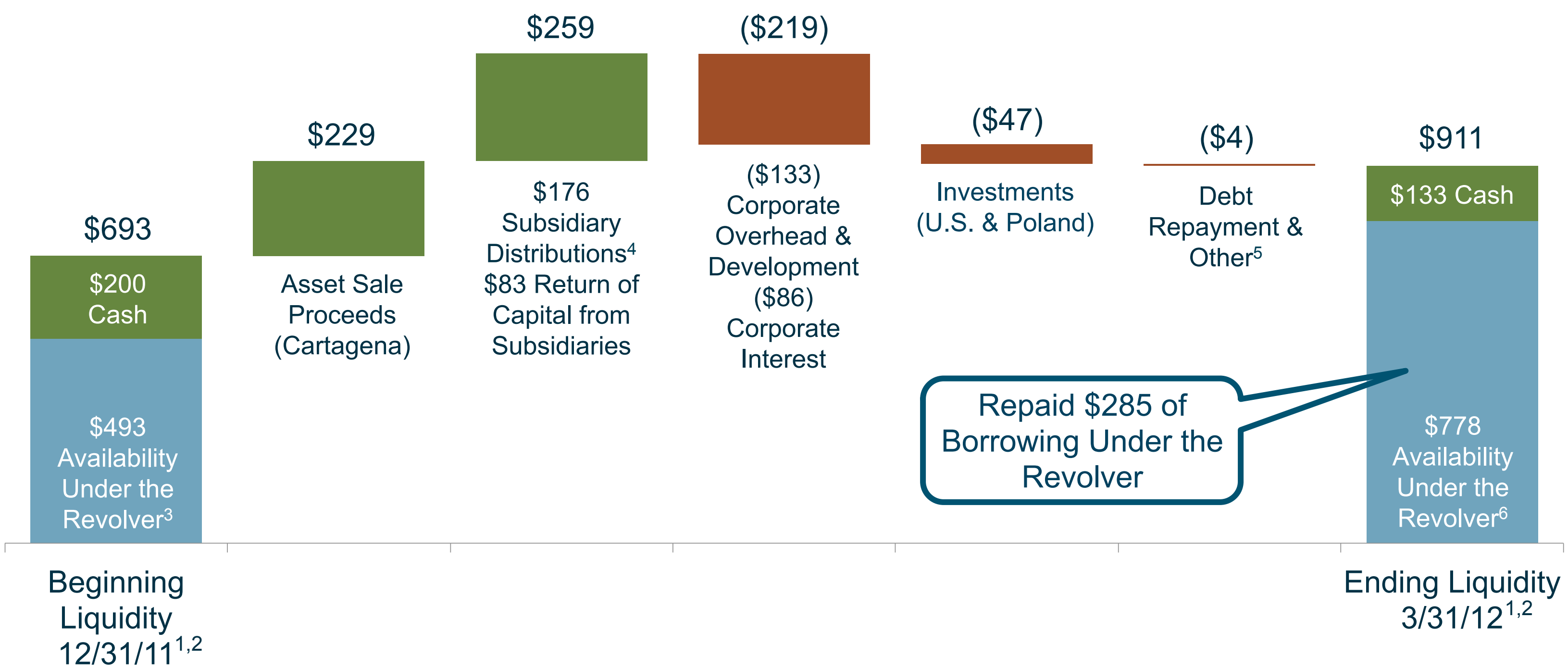
- Increase in North American Utilities and European Generation
- Decrease in Latin American Utilities
- Decrease from higher interest expense due to recourse debt to fund DP&L acquisition

**51% Increase in Proportional Free Cash Flow[1]**

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

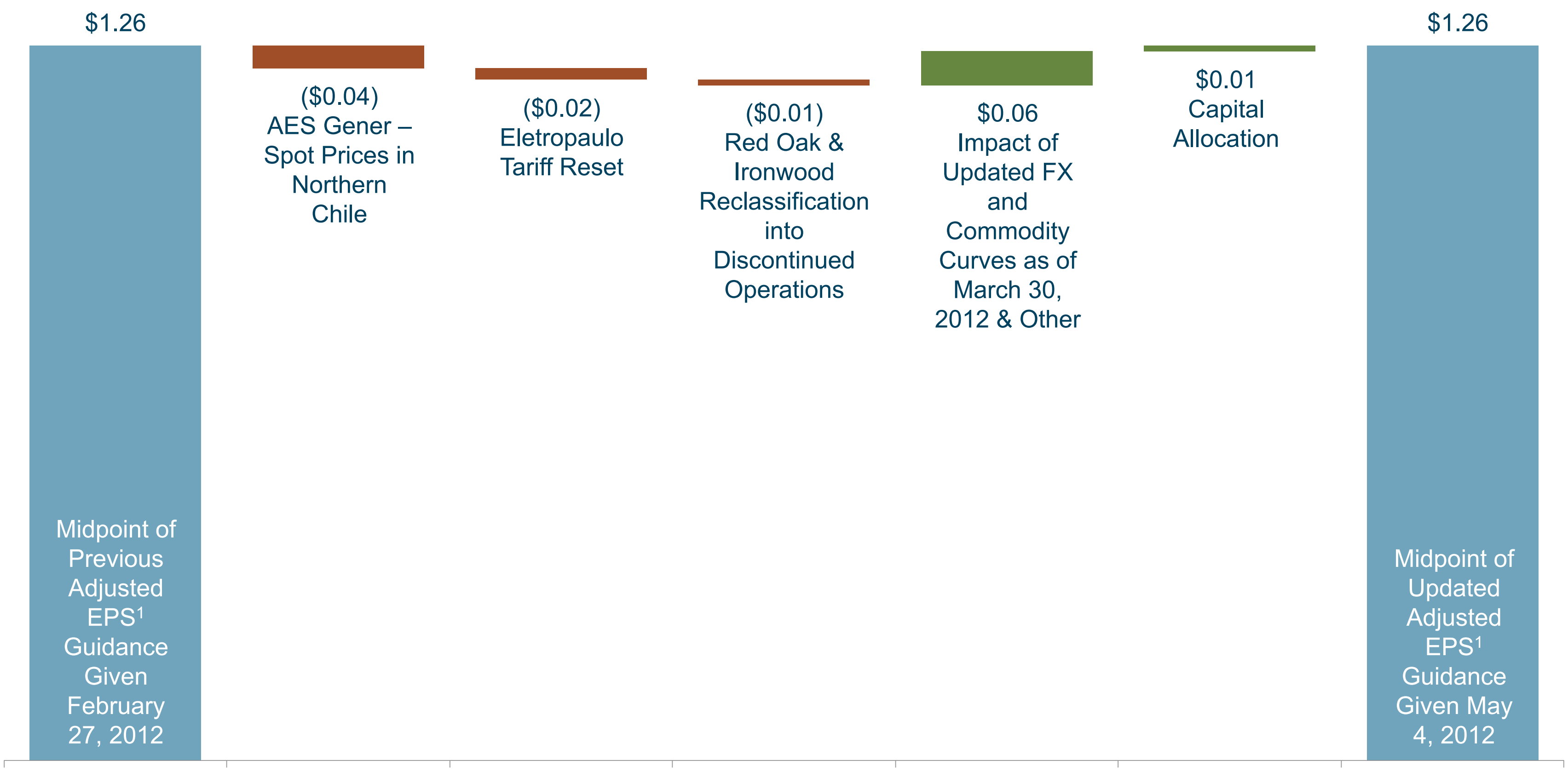
# Parent Company Liquidity[1]

## $ in Millions




1. A non-GAAP financial measure. See Appendix for definition and reconciliation.
2. See Appendix for reconciliation of Parent Liquidity.
3. $800 million Revolver, less $295 million borrowings, less $12 million letters of credit.
4. See Appendix for definition.
5. Amortization of senior secured term loan due 2018 ($3 million).
6. $800 million Revolver, less $10 million borrowings, less $12 million letters of credit.

# Reaffirming 2012 Adjusted EPS[1] Guidance




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

# Key 2012 Guidance Metrics

| *$ in Millions, Except Earnings Per Share* | 2012 Guidance (As of 5/4/12) | Comments |
|---|---|---|
| Adjusted EPS[1] | $1.22-$1.30 | No change |
| Diluted EPS from Continuing Operations | $1.22-$1.30 | Lowered by $0.06 due to Q1 impairments |
| Proportional Free Cash Flow[1] | $1,050-$1,250 | No change; expect lower end of range |
| Subsidiary Distributions[2] | $1,325-$1,525 | No change |
| Parent Free Cash Flow[1] | $550-$650 | No change |

- Reaffirming 2012 adjusted EPS[1] and cash flow guidance metrics
- Expect lower end of proportional free cash flow[1] due to higher working capital, higher environmental capex and sale of Ironwood and Red Oak
- For key assumptions, see Slide 20 in the Appendix

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

# Key Takeaways

- Strong first quarter 2012 results put us on track for full year 2012
  - Adjusted EPS[1] up 54% to $0.37
  - Proportional free cash flow[1] up 51% to $235 million
- Closed two asset sales in the second quarter for $227 million in proceeds
  - Announced sale of equity interest in China hydro assets for approximately $48 million in proceeds, expected to close in the second half of 2012
- Increased authorization for share buybacks to $302 million
- Reaffirmed 2012 Adjusted EPS[1] and cash flow guidance
- Committed to deliver 3-year total return CAGR of 8% to 10% by 2015

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

# Appendix

# First Quarter 2012 Results vs. Guidance Metrics

| *$ in Millions, Except Earnings Per Share* | Q1 2012 Results | 2012 Guidance[1] | % of Guidance Midpoint |
|---|---|---|---|
| Proportional Gross Margin[2] | $779 | $2,700-$2,900 | 28% |
| Adjusted EPS[2] | $0.37 | $1.22-$1.30 | 29% |
| Diluted EPS from Continuing Operations | $0.44 | $1.22-$1.30 | 35% |
| Proportional Operating Cash Flow[2] | $405 | $1,925-$2,125 | 20% |
| Proportional Free Cash Flow[2] | $235 | $1,050-$1,250 | 20% |
| Subsidiary Distributions[3] | $176 | $1,325-$1,525 | 12% |

1. Guidance as of May 4, 2012.
2. A non-GAAP financial measure. See Appendix for definition and reconciliation.
3. See Appendix for definition.

# Q1 2012 Operational Results: Consolidated Gross Margin by Segment

| *$ in Millions* | Q1 2012 | Q1 2011 | Change |
|---|---|---|---|
| Generation – Latin America | $456 | $415 | $41 |
| Generation – North America | $77 | $82 | ($5) |
| Generation – Europe | $213 | $81 | $132 |
| Generation – Asia | $54 | $44 | $10 |
| Utilities – Latin America | $99 | $246 | ($147) |
| Utilities – North America | $114 | $50 | $64 |
| Corporate & Other | $65 | $75 | ($10) |
| **Total** | **$1,078** | **$993** | **$85** |

# 2012 Guidance Estimated Sensitivities

## Interest Rates[1]

- 100 bps move in interest rates over a 12-month period is equal to change in EPS of approximately $0.02

## Currencies

- 10% appreciation in USD against the following key currencies is equal to the following negative EPS impacts:

| | 2012 | |
|---|---|---|
| | Average Rate | Sensitivity |
| Brazilian Real (BRL) | 1.89 | $0.020 |
| Argentine Peso (ARS) | 4.70 | $0.005 |
| Euro (EUR) | 1.34 | $0.010 |
| Philippine Peso (PHP) | 43.1 | $0.005 |

## Commodity Sensitivity

| | 2012 | |
|---|---|---|
| | Average Rate | Sensitivity |
| Newcastle Coal (Sensitivity $10/ton) | $110/ton | $0.010 negative correlation |
| NYMEX Coal (Sensitivity $10/ton) | $60/ton | |
| IPE Brent Crude Oil (Sensitivity $10/barrel) | $121/bbl | $0.015 positive correlation |
| NYMEX WTI Crude Oil (Sensitivity $10/barrel) | $104/bbl | |
| Henry Hub Natural Gas (Sensitivity $1/mmbtu) | $2.5/mmbtu | $0.025 positive correlation |
| UK National Balancing Point Gas (Sensitivity $1/mmbtu) | £0.65/therm | |

Note: Guidance given May 4, 2012. Sensitivities are provided on a standalone basis, assuming no change in the other factors, to illustrate the magnitude and direction of changing market factors on AES results. Estimates show the impact on 2012 adjusted EPS. Actual results may differ from the sensitivities provided due to execution of risk management strategies, local market dynamics and operational factors. 2012 guidance is based on currency and commodity forward curves and forecasts as of March 30, 2012. There are inherent uncertainties in the forecasting process and actual results may differ from projections. The Company undertakes no obligation to update the guidance presented today. Please see Item 3A of the Form 10-Q for a more complete discussion of this topic. AES has exposure to multiple coal, oil, and natural gas indices; forward curves are provided for representative liquid markets. Sensitivities are rounded to the nearest ½ cent per share.

1. The move is applied to the floating interest rate portfolio balances as of March 30, 2012.

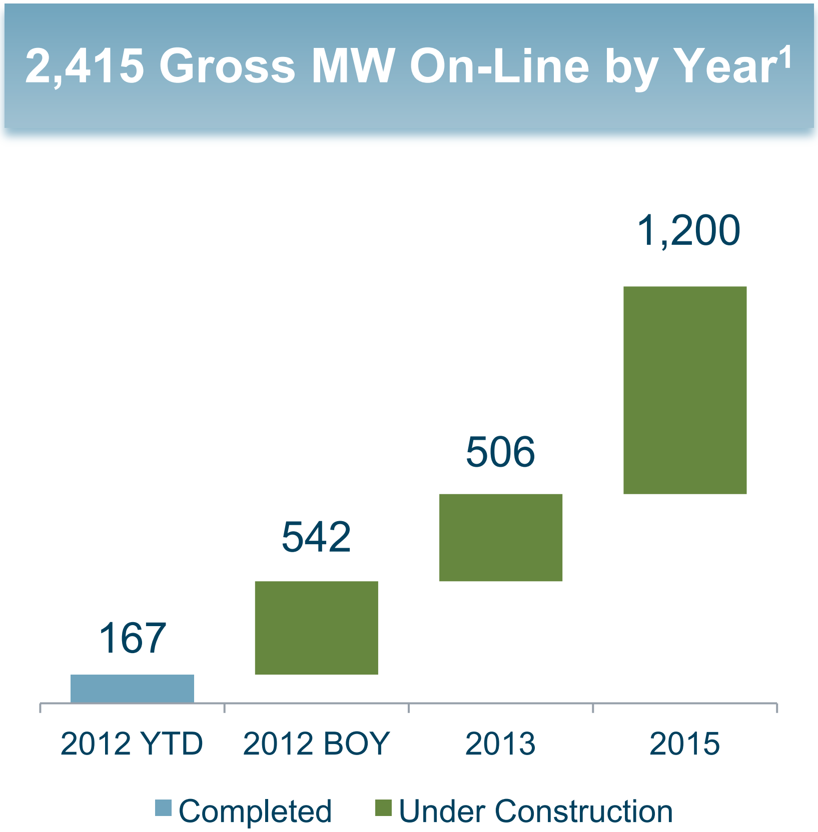
# Key Assumptions for 2012 Guidance[1]

- Foreign currency and commodity assumptions from the forward curve as of March 30, 2012
- Effective tax rate generally in line with 2011, which includes anticipated extension of TIPRA benefits
- Includes the impacts of closed asset sales as of April 2012, including Argentine utilities, Brazil Telecom, 80% of our interest in the Cartagena plant in Spain, Bohemia plant in Czech Republic and Red Oak and Ironwood in the United States
- Does not include the impact of recently announced (but not yet closed) hydro asset sale in China
- Allocation of discretionary cash consistent with Slide 6

1. Guidance updated May 4, 2012.

# Construction Program Contributes Near-Term Growth

## Long-Term Debt is Committed & AES has Funded its Equity Contributions




- 2012 additions include:
  - 394 MW Trinidad Unit 2 of which AES owns 10%
  - 315 MW renewable projects
- 2013 additions include:
  - 270 MW Campiche, Chile
  - 216 MW Kribi, Cameroon
  - 20 MW Sixpenny Wood, UK
- 2015 addition represents 1,200 MW Mong Duong II, Vietnam

1. As of May 3, 2012; 1,192 proportional MW. See Slide 22 for details of projects under construction.

Note: The totals represent projections and there can be no assurance that we will complete construction of these projects or that completion will occur in the timeframes set forth above. For discussion of risks involved in the development process, see Item 1-A: Risk Factors – Our business is subject to substantial development uncertainties in our 2011 Form 10-K.

# 2,248 MW Under Construction as of May 3, 2012

| | Generation (Thermal) | | | | Generation (Renewables) | | | |
|---|---|---|---|---|---|---|---|---|
| | Chile | Trinidad | Cameroon | Vietnam | France | Various | UK | UK |
| Project | Campiche | Trinidad | Kribi | Mong Duong II | InnoVent[2] | AES Solar[3] | Drone Hill | Sixpenny Wood |
| % Owned | 71% | 10% | 56% | 51% | 40% | 50% | 100% | 100% |
| Type | Coal | Gas | Gas | Coal | Wind | Solar | Wind | Wind |
| Gross MW | 270 MW | 394 MW[1] | 216 MW | 1,200 MW | 39 MW | 81 MW | 28.6 MW | 20 MW |
| Expected Commercial Operations Date | 1H 2013 | 1H 2012 | 2013 | 2H 2015 | 2012 | 2012 | 2H 2012 | 2013 |

1. 394 MW Unit 1 came on-line during Q3 2011.
2. InnoVent plants: Allery, Audrieu, Lamballe, Lefaux and Vron.
3. AES Solar projects: various locations.

Note: These are some of our construction projects. Other projects not currently on this slide, whether developed through acquisitions or otherwise, may be brought on-line before these projects. In addition, some of these examples may not close or be completed as anticipated, or they may be delayed, due to uncertainty inherent in the development process.

# Parent Sources & Uses of Liquidity

| *$ in Millions* | First Quarter | |
|---|---|---|
| | 2012 | 2011 |
| **Sources** | | |
| Total Subsidiary Distributions[1] | $176 | $226 |
| Proceeds from Asset Sales, Net | $227[3] | - |
| Refinancing Proceeds, Net | - | - |
| Increased/(Decreased) Credit Facility Commitments | - | - |
| Issuance of Common Stock, Net | $1 | $1 |
| Total Returns of Capital Distributions & Project Financing Proceeds | $83 | $28 |
| Beginning Parent Company Liquidity[2] | $693 | $1,837 |
| **Total Sources** | **$1,180** | **$2,092** |
| **Uses** | | |
| Repayments of Debt | ($3) | ($268) |
| Repurchase of Equity | - | ($63) |
| Investments in Subsidiaries, Net | ($47) | ($301) |
| Cash for Development, Selling, General & Administrative and Taxes | ($133) | ($133) |
| Cash Payments for Interest | ($86) | ($43) |
| Changes in Letters of Credit and Other, Net | - | $34 |
| Ending Parent Company Liquidity[2] | ($911) | ($1,318) |
| **Total Uses** | **($1,180)** | **($2,092)** |

1. See “definitions”.
2. A non-GAAP financial measure. See “definitions”.
3. Includes closing costs associated with Red Oak and Ironwood sales.

# First Quarter 2012 Subsidiary Distributions[1]

| $ in Millions | First Quarter 2012 Subsidiary Distributions[1] |
|---|---|
| Generation – Latin America | - |
| Generation – North America | $28 |
| Generation – Europe | $5 |
| Generation – Asia | $41 |
| Utilities – Latin America | - |
| Utilities – North America | $67 |
| Corporate & Other[2] | $35 |
| **Total** | **$176** |

| Top 10 Subsidiary Distributions[1] | | | |
|---|---|---|---|
| First Quarter 2012 | | | |
| Business | | | |
| DP&L, US-OH | $52 | TEG TEP, Mexico | $8 |
| Masinloc, Philippines | $41 | Laurel Mountain, US-WV | $6 |
| IPALCO, US-IN | $15 | Buffalo Gap II, US-TX | $6 |
| Southland, US-CA | $12 | Buffalo Gap III, US-TX | $5 |
| Ebute, Nigeria | $9 | Warrior Run, US-MD | $4 |

1. See “definitions.”
2. Corporate & Other includes Global Insurance, renewables, Europe and Africa Utilities and Africa Generation businesses.

# Reconciliation of Subsidiary Distributions[1] & Parent Liquidity[2]

| $ in Millions | Quarter Ended | | | |
|---|---|---|---|---|
| | March 31, 2012 | December 31, 2011 | September 30, 2011 | June 30, 2011 |
| Total Subsidiary Distributions[1] to Parent & QHCs[3] | $176 | $371 | $346 | $394 |
| Total Return of Capital Distributions to Parent & QHCs[3] | $83 | $14 | $102 | $8 |
| **Total Subsidiary Distributions[1] & Returns of Capital to Parent** | **$259** | **$385** | **$448** | **$402** |

| $ in Millions<br>Parent Company Liquidity[2] | Balance as of | | | |
|---|---|---|---|---|
| | March 31, 2012 | December 31, 2011 | September 30, 2011 | June 30, 2011 |
| Cash at Parent & QHCs[3] | $133 | $200 | $2,089 | $2,303 |
| Availability Under Credit Facilities | $778 | $493 | $788 | $774 |
| **Ending Liquidity** | **$911** | **$693** | **$2,877** | **$3,077** |

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

# First Quarter 2012 Net Debt[1]

| *$ in Millions* | Consolidated | Adjustment Factors[1] | Proportional[1] |
|---|---|---|---|
| Generation – Latin America | $2,860 | ($837) | $2,023 |
| Generation – North America | $1,644 | (9) | $1,635 |
| Generation – Europe | $847 | ($101) | $746 |
| Generation – Asia | $568 | ($119) | $449 |
| Utilities – Latin America | $697 | ($199) | $498 |
| Utilities – North America | $4,192 | - | $4,192 |
| Corporate & Other | $6,671 | ($230) | $6,441 |
| **Total** | **$17,479** | **($1,495)** | **$15,984** |

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

# 2011 Adjusted EPS[1] by Quarter

| | Diluted EPS from Continuing Operations | Adjustment Factors[1] | Adjusted EPS[1] |
|---|---|---|---|
| Q1 2011 | $0.30 | ($0.06) | $0.24 |
| Q2 2011 | $0.24 | $0.05 | $0.29 |
| Q3 2011 | ($0.09) | $0.37 | $0.28 |
| Q4 2011 | $0.12 | $0.10 | $0.22 |
| **FY 2011[2]** | **$0.58** | **$0.45** | **$1.03** |

1. A non-GAAP financial measure. See “definitions”. Amounts have been adjusted to exclude discontinued operations and the change in tax methodology for interim periods.
2. Full year amounts do not equal the sum of the quarters due to changes in the weighted average share count through the year.

# Reconciliation of Adjusted Earnings Per Share[1]

| | First Quarter | |
|---|---|---|
| | 2012 | 2011 |
| **Diluted EPS from Continuing Operations** | **$0.44** | **$0.30** |
| Derivative Mark-to-Market (Gains)/Losses[2] | $0.03 | ($0.01) |
| Currency Transaction (Gains)[3] | ($0.02) | ($0.05) |
| Disposition/Acquisition (Gains) | ($0.14)[4] | - |
| Impairment Losses | $0.06[5] | - |
| **Adjusted EPS[1]** | **$0.37** | **$0.24** |

1. A non-GAAP financial measure as reconciled above. See “definitions.”
2. Derivative mark-to-market (gains)/losses were net of income tax per share of $0.01 and $0.00 in the three months ended March 31, 2012 and 2011, respectively.
3. Unrealized foreign currency transaction (gains) were net of income tax per share of ($0.01) and ($0.02) in the three months ended March 31, 2012 and 2011, respectively.
4. Amount primarily relates to the proceeds from the sale of 80% of our interest in Cartagena for $178 million ($107 million or $0.14 per share, net of income tax).
5. Amount primarily includes other than temporary impairments of equity method investments in China of $32 million ($26 million or $0.03 per share, net of income taxes) and at InnoVent of $17 million ($12 million or $0.02 per share, net of income tax).

# Reconciliation of First Quarter Capex

| $ in Millions | Consolidated First Quarter | |
|---|---|---|
| | 2012 | 2011 |
| Operational Capex (a) | $234 | $227 |
| Environmental Capex (b) | $8 | $15 |
| Maintenance Capex[1] (a + b) | $242 | $242 |
| Growth Capex[1] (c) | $343 | $254 |
| **Total Capex[2] (a + b + c)** | **$585** | **$496** |

| $ in Millions | Consolidated First Quarter | | Proportional[1] First Quarter | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Operating Cash Flow | $534 | $502 | $405 | $319 |
| Less Maintenance Capex[1], net of Reinsurance Proceeds | ($242) | ($242) | ($170) | ($163) |
| **Free Cash Flow[1]** | **$292** | **$260** | **$235** | **$156** |

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

# Reconciliation of First Quarter Gross Margin, Operating Cash Flow & Free Cash Flow[1]

## Including Proportional Metrics

| *$ in Millions* | First Quarter 2012 | | |
|---|---|---|---|
| | Consolidated | Adjustment Factors[1] | Proportional[1] |
| Gross Margin | $1,078 | ($299) | $779 |
| Operating Cash Flow | $534 | ($129) | $405 |
| Free Cash Flow[1] | $292 | ($57) | $235 |

| *$ in Millions* | First Quarter 2011 | | |
|---|---|---|---|
| | Consolidated | Adjustment Factors[1] | Proportional[1] |
| Gross Margin | $993 | ($386) | $607 |
| Operating Cash Flow | $502 | ($183) | $319 |
| Free Cash Flow[1] | $260 | ($104) | $156 |

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

# Reconciliation of 2012 Guidance, Including Proportional Metrics

| *$ in Millions, Except Earnings Per Share* | 2012 Guidance (Given 5/4/12)[1] | | |
|---|---|---|---|
| | Consolidated | Adjustment Factors[2] | Proportional[2] |
| **Income Statement Elements** | | | |
| Diluted Earnings Per Share from Continuing Operations | $1.22-$1.30 | | |
| Adjusted Earnings Per Share Factors[2] | ($0.00)[3] | | |
| Adjusted Earnings Per Share[2] | $1.22-$1.30[3] | | |
| **Cash Flow Elements** | | | |
| Net Cash from Operating Activities | $3,100-$3,300 | $1,175 | $1,925-$2,125 |
| Operational Capital Expenditures (a) | $1,050-$1,125 | $300 | $725-$850 |
| Environmental Capital Expenditures (b) | $100-$125 | $25 | $75-$100 |
| Maintenance Capital Expenditures (a + b) | $1,150-$1,250 | $325 | $800-$950 |
| Free Cash Flow[2] | $1,900-$2,100 | $850 | $1,050-$1,250 |
| Subsidiary Distributions[4] | $1,325-$1,525 | | |
| **Reconciliation of Parent Free Cash Flow** | | | |
| Subsidiary Distributions[4] (c) | $1,325-$1,525 | | |
| Cash Interest (d) | $450-$500 | | |
| Cash for Development, General & Administrative and Tax (e) | $325-$375 | | |
| Parent Free Cash Flow (c – d – e) | $550-$650 | | |
| **Reconciliation of Free Cash Flow[2]** | | | |
| Net Cash from Operating Activities | $3,100-$3,300 | $1,175 | $1,925-$2,125 |
| Less: Maintenance Capital Expenditures | $1,150-$1,250 | $325 | $800-$950 |
| Free Cash Flow[2] | $1,900-$2,100 | $850 | $1,050-$1,250 |
| **Reconciliation of Adjusted Gross Margin[2]** | | | |
| Gross Margin | $4,000-$4,200 | $1,300 | $2,700-$2,900 |
| Plus: Depreciation & Amortization | $1,400-$1,500 | $300 | $1,100-$1,200 |
| Less: General & Administrative | $300-$350 | - | $300-$350 |
| Adjusted Gross Margin[2] | $5,125-$5,325 | $1,600 | $3,525-$3,725 |

1. 2012 guidance is based on expectations for future foreign exchange rates and commodity prices as of March 30, 2012.
2. A non-GAAP financial measure as reconciled above. See “definitions.”
3. Reconciliation of Adjusted EPS includes derivative losses of $0.05, debt retirement loses of $0.01, impairment losses of $0.09, and disposition gains of $0.15.
4. See “definitions.”

# Reconciliation of First Quarter 2012 Net Debt[1]

| *$ in Millions* | |
|---|---|
| Non-Recourse Debt (Current) | $2,194 |
| Recourse Debt (Current) | $21 |
| Non-Recourse Debt (Non-Current) | $13,841 |
| Recourse Debt (Non-Current) | $6,179 |
| ***Less*** | |
| Cash & Cash Equivalents | ($1,688) |
| Restricted Cash | ($448) |
| Short-Term Investments | ($1,740) |
| Debt Service Reserves & Other Deposits | ($880) |
| **Net Debt** | **$17,479** |

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

# DP&L Proposed SSO Timeline

1. DP&L Files MRO with PUCO<br>March 30, 2012
2. Technical Conference<br>April 12, 2012
3. Prehearing Conference<br>May 8, 2012
4. Deadline to Intervene<br>May 18, 2012
5. Deadline to File Testimony for Intervenors<br>June 13, 2012
6. Staff to File Testimony<br>TBD
7. Hearing<br>June 25, 2012
8. Deadline for PUCO to Determine Whether MRO ORC Requirements are Met<br>June 28, 2012
9. New SSO Rates in Place Based on Approved MRO or ESP<br>January 1, 2013

# 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 KPIs such as equivalent forced outage rate and commercial availability may not improve financial performance at all facilities based on commercial terms and conditions. These benefits will not be fully reflected in the Company's consolidated financial results.

The cash held at qualified holding companies ("QHCs") represents cash sent to subsidiaries of the Company domiciled outside of the U.S. Such subsidiaries had no contractual restrictions on their ability to send cash to AES, the Parent Company, however, cash held at qualified holding companies does not reflect the impact of any tax liabilities that may result from any such cash being repatriated to the Parent Company in the U.S. Cash at those subsidiaries was used for investment and related activities outside of the U.S. These investments included equity investments and loans to other foreign subsidiaries as well as development and general costs and expenses incurred outside the U.S. Since the cash held by these QHCs is available to the Parent, AES uses the combined measure of subsidiary distributions to Parent and QHCs as a useful measure of cash available to the Parent to meet its international liquidity needs. AES believes that unconsolidated parent company liquidity is important to the liquidity position of AES as a parent company because of the non-recourse nature of most of AES' indebtedness.

# Definitions

## Non-GAAP Financial Measures

- Adjusted earnings per share (a non-GAAP financial measure) is defined as diluted earnings per share from continuing operations excluding gains or losses of the consolidated entity due to (a) mark-to-market amounts related to derivative transactions, (b) unrealized foreign currency gains or losses, (c) significant gains or losses due to dispositions and acquisitions of business interests, (d) significant losses due to impairments, and (e) costs due to the early retirement of debt. The GAAP measure most comparable to Adjusted EPS is diluted earnings per share from continuing operations. AES believes that adjusted earnings per share better reflects the underlying business performance of The AES Corporation (the "Company"), and is considered in the Company's internal evaluation of financial performance. Factors in this determination include the variability due to mark-to-market gains or losses related to derivative transactions, currency gains or losses, losses due to impairments and strategic decisions to dispose or acquire business interests or retire debt which affect results in a given period or periods. Adjusted earnings per share should not be construed as an alternative to diluted earnings per share from continuing operations, which is determined in accordance with GAAP.

  For the quarter ended March 31, 2012, the Company refined its process for computing the tax effects of adjusted EPS items for interim periods. Accordingly, the Company has also reflected the refined process in the comparative three month period ended March 31, 2011.
- Adjusted Gross Margin (a non-GAAP financial measure) is defined as gross margin plus depreciation and amortization less general and administrative expenses. AES believes adjusted gross margin is a useful measure for evaluating and comparing the operating performance of its businesses because it includes the direct operating costs of its business including overhead related expenses and excludes potential differences caused by variations in capital structures affecting interest income and expense, tax positions, such as the impact of changes in effective tax rates and the impact of depreciation and amortization expense.
- Free cash flow (a non-GAAP financial measure) is defined as net cash from operating activities less maintenance capital expenditures (including environmental capital expenditures), net of reinsurance proceeds from third parties. AES believes that free cash flow is a useful measure for evaluating our financial condition because it represents the amount of cash provided by operations less maintenance capital expenditures as defined by our businesses, that may be available for investing or for repaying debt. Free cash flow should not be construed as an alternative to net cash from operating activities, which is determined in accordance with GAAP.
- Parent Company Liquidity (a non-GAAP financial measure) is defined as cash at the Parent Company plus availability under corporate credit facilities plus cash at qualified holding companies ("QHCs"). AES believes that unconsolidated Parent Company liquidity is important to the liquidity position of AES as a Parent Company because of the non-recourse nature of most of AES' indebtedness.
- Subsidiary Liquidity (a non-GAAP financial measure) is defined as cash and cash equivalents and bank lines of credit at various subsidiaries.
- The Company is a holding company that derives its income and cash flows from the activities of its subsidiaries, some of which are not wholly-owned by the Company. Accordingly, the Company has presented certain financial metrics which are defined as Proportional (a non-GAAP financial measure) to account for the Company's ownership interest.

  Proportional metrics present the Company's estimate of its share in the economics of the underlying metric. The Company believes that the Proportional metrics are useful to investors because they exclude the economic share in the metric presented that is held by non-AES shareholders. For example, Operating Cash Flow is a GAAP metric which presents the Company's cash flow from operations on a consolidated basis, including operating cash flow allocable to noncontrolling interests. Proportional Operating Cash Flow removes the share of operating cash flow allocable to noncontrolling interests and therefore may act as an aid in the valuation the Company.

  Proportional metrics are reconciled to the nearest GAAP measure. Certain assumptions have been made to estimate our proportional financial measures. These assumptions include: (i) the Company's economic interest has been calculated based on a blended rate for each consolidated business when such business represents multiple legal entities; (ii) the Company's economic interest may differ from the percentage implied by the recorded net income or loss attributable to noncontrolling interests or dividends paid during a given period; (iii) the Company's economic interest for entities accounted for using the hypothetical liquidation at book value method is 100%; (iv) individual operating performance of the Company's equity method investments is not reflected and (v) inter-segment transactions are included as applicable for the metric presented.
- Net debt (a non-GAAP financial measure) is defined as current and non-current recourse and non-recourse debt less cash and cash equivalents, restricted cash, short term investments, debt service reserves and other deposits. AES believes that net debt is a useful measure for evaluating our financial condition because it is a standard industry measure that provides an alternate view of a company's indebtedness by considering the capacity of cash. It is also a required component of valuation techniques used by management and the investment community.

# Definitions, Cont'd.

- Subsidiary Distributions should not be construed as an alternative to Net Cash Provided by Operating Activities which is determined in accordance with GAAP. Subsidiary Distributions are important to the Parent Company because the Parent Company is a holding company that does not derive any significant direct revenues from its own activities but instead relies on its subsidiaries' business activities and the resultant distributions to fund the debt service, investment and other cash needs of the holding company. The reconciliation of the difference between the Subsidiary Distributions and Net Cash Provided by Operating Activities consists of cash generated from operating activities that is retained at the subsidiaries for a variety of reasons which are both discretionary and non-discretionary in nature. These factors include, but are not limited to, retention of cash to fund capital expenditures at the subsidiary, cash retention associated with non-recourse debt covenant restrictions and related debt service requirements at the subsidiaries, retention of cash related to sufficiency of local GAAP statutory retained earnings at the subsidiaries, retention of cash for working capital needs at the subsidiaries, and other similar timing differences between when the cash is generated at the subsidiaries and when it reaches the Parent Company and related holding companies.
- Parent Free Cash Flow should not be construed as an alternative to Net Cash Provided by Operating Activities which is determined in accordance with GAAP. Parent Free Cash Flow is equal to Subsidiary Distributions less cash used for interest costs, development, general and administrative activities, and tax payments by the Parent Company. Parent Free Cash Flow is used for dividends, share repurchases, growth investments, recourse debt repayments, and other uses by the Parent Company.