

THE AES CORPORATION
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

	2018	2017
	(in millions, except share and per share data)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,166	\$ 949
Restricted cash	370	274
Short-term investments	313	424
Accounts receivable, net of allowance for doubtful accounts of \$23 and \$10, respectively	1,595	1,463
Inventory	577	562
Prepaid expenses	130	62
Other current assets	807	630
Current assets of discontinued operations and held-for-sale businesses	57	2,034
Total current assets	5,015	6,398
NONCURRENT ASSETS		
Property, Plant and Equipment:		
Land	449	502
Electric generation, distribution assets and other	25,242	24,119
Accumulated depreciation	(8,227)	(7,942)
Construction in progress	3,932	3,617
Property, plant and equipment, net	21,396	20,296
Other Assets:		
Investments in and advances to affiliates	1,114	1,197
Debt service reserves and other deposits	467	565
Goodwill	1,059	1,059
Other intangible assets, net of accumulated amortization of \$457 and \$441, respectively	436	366
Deferred income taxes	97	130
Service concession assets, net of accumulated amortization of \$0 and \$206, respectively	—	1,360
Loan receivable	1,423	—
Other noncurrent assets	1,514	1,741
Total other assets	6,110	6,418
TOTAL ASSETS	\$ 32,521	\$ 33,112
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 1,329	\$ 1,371
Accrued interest	191	228
Accrued non-income taxes	250	252
Accrued and other liabilities	962	980
Non-recourse debt, including \$479 and \$1,012, respectively, related to variable interest entities	1,659	2,164
Current liabilities of discontinued operations and held-for-sale businesses	8	1,033
Total current liabilities	4,399	6,028
NONCURRENT LIABILITIES		
Recourse debt	3,650	4,625
Non-recourse debt, including \$2,922 and \$1,358 respectively, related to variable interest entities	13,986	13,176
Deferred income taxes	1,280	1,006
Other noncurrent liabilities	2,723	2,595
Total noncurrent liabilities	21,639	21,402
Commitments and Contingencies (see Notes 11 and 12)		
Redeemable stock of subsidiaries	879	837
EQUITY		
THE AES CORPORATION STOCKHOLDERS' EQUITY		
Common stock (\$0.01 par value, 1,200,000,000 shares authorized; 817,203,691 issued and 662,298,096 outstanding at December 31, 2018 and 816,312,913 issued and 660,388,128 outstanding at December 31, 2017)	8	8
Additional paid-in capital	8,154	8,501
Accumulated deficit	(1,005)	(2,276)
Accumulated other comprehensive loss	(2,071)	(1,876)
Treasury stock, at cost (154,905,595 and 155,924,785 shares at December 31, 2018 and 2017, respectively)	(1,878)	(1,892)
Total AES Corporation stockholders' equity	3,208	2,465
NONCONTROLLING INTERESTS	2,396	2,380
Total equity	5,604	4,845
TOTAL LIABILITIES AND EQUITY	\$ 32,521	\$ 33,112

See Accompanying Notes to Consolidated Financial Statements.

THE AES CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2018, 2017, AND 2016

	2018	2017	2016
	(in millions, except per share amounts)		
Revenue:			
Regulated	\$ 2,939	\$ 3,109	\$ 3,310
Non-Regulated	7,797	7,421	6,971
Total revenue	<u>10,736</u>	<u>10,530</u>	<u>10,281</u>
Cost of Sales:			
Regulated	(2,473)	(2,650)	(2,839)
Non-Regulated	(5,690)	(5,415)	(5,059)
Total cost of sales	<u>(8,163)</u>	<u>(8,065)</u>	<u>(7,898)</u>
Operating margin	<u>2,573</u>	<u>2,465</u>	<u>2,383</u>
General and administrative expenses	(192)	(215)	(194)
Interest expense	(1,056)	(1,170)	(1,134)
Interest income	310	244	245
Loss on extinguishment of debt	(188)	(68)	(13)
Other expense	(58)	(58)	(80)
Other income	72	120	64
Gain (loss) on disposal and sale of business interests	984	(52)	29
Asset impairment expense	(208)	(537)	(1,096)
Foreign currency transaction gains (losses)	(72)	42	(15)
Other non-operating expense	(147)	—	(2)
INCOME FROM CONTINUING OPERATIONS BEFORE TAXES AND EQUITY IN EARNINGS OF AFFILIATES	2,018	771	187
Income tax expense	(708)	(990)	(32)
Net equity in earnings of affiliates	39	71	36
INCOME (LOSS) FROM CONTINUING OPERATIONS	<u>1,349</u>	<u>(148)</u>	<u>191</u>
Income (loss) from operations of discontinued businesses, net of income tax benefit (expense) of \$(2), \$(21), and \$229, respectively	(9)	(18)	151
Gain (loss) from disposal and impairments of discontinued businesses, net of income tax benefit (expense) of \$(44), \$0, and \$266, respectively	225	(611)	(1,119)
NET INCOME (LOSS)	<u>1,565</u>	<u>(777)</u>	<u>(777)</u>
Noncontrolling interests:			
Less: Income from continuing operations attributable to noncontrolling interests and redeemable stock of subsidiaries	(364)	(359)	(211)
Less: Loss (income) from discontinued operations attributable to noncontrolling interests	2	(25)	(142)
NET INCOME (LOSS) ATTRIBUTABLE TO THE AES CORPORATION	<u>\$ 1,203</u>	<u>\$ (1,161)</u>	<u>\$ (1,130)</u>
AMOUNTS ATTRIBUTABLE TO THE AES CORPORATION COMMON STOCKHOLDERS:			
Income (loss) from continuing operations, net of tax	\$ 985	\$ (507)	\$ (20)
Income (loss) from discontinued operations, net of tax	218	(654)	(1,110)
NET INCOME (LOSS) ATTRIBUTABLE TO THE AES CORPORATION	<u>\$ 1,203</u>	<u>\$ (1,161)</u>	<u>\$ (1,130)</u>
BASIC EARNINGS PER SHARE:			
Income (loss) from continuing operations attributable to The AES Corporation common stockholders, net of tax	\$ 1.49	\$ (0.77)	\$ (0.04)
Income (loss) from discontinued operations attributable to The AES Corporation common stockholders, net of tax	0.33	(0.99)	(1.68)
NET INCOME (LOSS) ATTRIBUTABLE TO THE AES CORPORATION COMMON STOCKHOLDERS	<u>\$ 1.82</u>	<u>\$ (1.76)</u>	<u>\$ (1.72)</u>
DILUTED EARNINGS PER SHARE:			
Income (loss) from continuing operations attributable to The AES Corporation common stockholders, net of tax	\$ 1.48	\$ (0.77)	\$ (0.04)
Income (loss) from discontinued operations attributable to The AES Corporation common stockholders, net of tax	0.33	(0.99)	(1.68)
NET INCOME (LOSS) ATTRIBUTABLE TO THE AES CORPORATION COMMON STOCKHOLDERS	<u>\$ 1.81</u>	<u>\$ (1.76)</u>	<u>\$ (1.72)</u>
DIVIDENDS DECLARED PER COMMON SHARE	<u>\$ 0.53</u>	<u>\$ 0.49</u>	<u>\$ 0.45</u>

See Accompanying Notes to Consolidated Financial Statements.

THE AES CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018, 2017, AND 2016

	2018	2017	2016
		(in millions)	
OPERATING ACTIVITIES:			
Net income (loss)	\$ 1,565	\$ (777)	\$ (777)
Adjustments to net income (loss):			
Depreciation and amortization	1,003	1,169	1,176
Loss (gain) on disposal and sale of business interests	(984)	52	(29)
Impairment expenses	355	537	1,098
Deferred income taxes	313	672	(793)
Provisions for contingencies	14	34	48
Loss on extinguishment of debt	188	68	20
Loss on sale and disposal of assets	27	43	38
Net loss (gain) from disposal and impairments of discontinued businesses	(269)	611	1,383
Other	317	160	180
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(206)	(177)	237
(Increase) decrease in inventory	(36)	(28)	42
(Increase) decrease in prepaid expenses and other current assets	(22)	107	870
(Increase) decrease in other assets	(32)	(295)	(251)
Increase (decrease) in accounts payable and other current liabilities	62	163	(619)
Increase (decrease) in income tax payables, net and other tax payables	(7)	53	(199)
Increase (decrease) in other liabilities	55	112	473
Net cash provided by operating activities	<u>2,343</u>	<u>2,504</u>	<u>2,897</u>
INVESTING ACTIVITIES:			
Capital expenditures	(2,121)	(2,177)	(2,345)
Acquisitions of business interests, net of cash and restricted cash acquired	(66)	(609)	(52)
Proceeds from the sale of business interests, net of cash and restricted cash sold	2,020	108	538
Sale of short-term investments	1,302	3,540	4,904
Purchase of short-term investments	(1,411)	(3,310)	(5,151)
Contributions to equity investments	(145)	(89)	(6)
Other investing	(84)	(62)	(24)
Net cash used in investing activities	<u>(505)</u>	<u>(2,599)</u>	<u>(2,136)</u>
FINANCING ACTIVITIES:			
Borrowings under the revolving credit facilities	1,865	2,156	1,465
Repayments under the revolving credit facilities	(2,238)	(1,742)	(1,433)
Issuance of recourse debt	1,000	1,025	500
Repayments of recourse debt	(1,933)	(1,353)	(808)
Issuance of non-recourse debt	1,928	3,222	2,978
Repayments of non-recourse debt	(1,411)	(2,360)	(2,666)
Payments for financing fees	(39)	(100)	(105)
Distributions to noncontrolling interests	(340)	(424)	(476)
Contributions from noncontrolling interests and redeemable security holders	43	73	190
Proceeds from the sale of redeemable stock of subsidiaries	—	—	134
Dividends paid on AES common stock	(344)	(317)	(290)
Payments for financed capital expenditures	(275)	(179)	(113)
Purchase of treasury stock	—	—	(79)
Proceeds from sales to noncontrolling interests, net of transaction costs	—	94	—
Other financing	101	(52)	(44)
Net cash provided by (used in) financing activities	<u>(1,643)</u>	<u>43</u>	<u>(747)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(54)	8	37
(Increase) decrease in cash, cash equivalents and restricted cash of discontinued operations and held-for-sale businesses	74	(128)	(42)
Total increase (decrease) in cash, cash equivalents and restricted cash	215	(172)	9
Cash, cash equivalents and restricted cash, beginning	1,788	1,960	1,951
Cash, cash equivalents and restricted cash, ending	<u>\$ 2,003</u>	<u>\$ 1,788</u>	<u>\$ 1,960</u>
SUPPLEMENTAL DISCLOSURES:			
Cash payments for interest, net of amounts capitalized	\$ 1,003	\$ 1,196	\$ 1,273
Cash payments for income taxes, net of refunds	370	377	487
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:			
Non-cash acquisition of intangible assets	16	—	—
Non-cash contributions of assets and liabilities for the Fluence transaction (see Note 7)	20	—	—
Non-cash exchange of debentures for the acquisition of the Guaimbê Solar Complex (see Note 24)	119	—	—
Non-cash acquisition of the remaining interest in a Distributed Energy equity affiliate (see Note 24)	23	—	—
Dividends declared but not yet paid	90	86	174
Conversion of Alto Maipo loans and accounts payable into equity (see Note 14)	—	279	—
Return Share Transfer Payment due (see Note 23)	—	75	—

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