UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2022
or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 1-12291

THE AES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**54-1163725**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
4300 Wilson Boulevard **Arlington, Virginia**	**22203**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (703) 522-1315

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value $0.01 per share	**AES**	**New York Stock Exchange**
Corporate Units	**AESC**	**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer”, “accelerated filer”, “smaller reporting company”, and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐ Non-accelerated filer ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares outstanding of Registrant’s Common Stock, par value $0.01 per share, on May 3, 2022 was 667,859,645.

The AES Corporation

Form 10-Q for the Quarterly Period ended March 31, 2022

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Glossary of Terms

The following terms and acronyms appear in the text of this report and have the definitions indicated below:

Adjusted EPS	Adjusted Earnings Per Share, a non-GAAP measure
Adjusted PTC	Adjusted Pre-tax Contribution, a non-GAAP measure of operating performance
AES	The Parent Company and its subsidiaries and affiliates
AES Andes	AES Andes S.A., formerly AES Gener
AES Brasil	AES Tietê Energia S.A., formerly branded as AES Tietê
AES Clean Energy Development	AES Clean Energy Development, LLC
AES Indiana	Indianapolis Power & Light Company, formerly branded as IPL. AES Indiana is wholly-owned by IPALCO
AES Ohio	The Dayton Power & Light Company, formerly branded as DP&L. AES Ohio is wholly-owned by DPL
AES Renewable Holdings	AES Renewable Holdings, LLC, formerly branded as AES Distributed Energy
AFUDC	Allowance for Funds Used During Construction
AIMCo	Alberta Management Investment Corporation
ANEEL	Brazilian National Electric Energy Agency
AOCL	Accumulated Other Comprehensive Loss
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
BESS	Battery Energy Storage System
CAA	United States Clean Air Act
CAMMESA	Wholesale Electric Market Administrator in Argentina
CCEE	Brazilian Chamber of Electric Energy Commercialization
CCR	Coal Combustion Residuals, which includes bottom ash, fly ash and air pollution control wastes generated at coal-fired generation plant sites
CECL	Current Expected Credit Loss
CO_2	Carbon Dioxide
CSAPR	Cross-State Air Pollution Rule
DPL	DPL Inc.
EPA	United States Environmental Protection Agency
EPC	Engineering, Procurement and Construction
ESP	Electric Security Plan
EURIBOR	Euro Interbank Offered Rate
FASB	Financial Accounting Standards Board
Fluence	Fluence Energy, Inc and its subsidiaries, including Fluence Energy, LLC, which was previously our joint venture with Siemens (NASDAQ: FLNC)
FX	Foreign Exchange
GAAP	Generally Accepted Accounting Principles in the United States
GHG	Greenhouse Gas
GILTI	Global Intangible Low Taxed Income
GW	Gigawatts
GWh	Gigawatt Hours
HLBV	Hypothetical Liquidation Book Value
IDEM	Indiana Department of Environmental Management
IPALCO	IPALCO Enterprises, Inc.
LIBOR	London Interbank Offered Rate
LNG	Liquid Natural Gas
MMBtu	Million British Thermal Units
MW	Megawatts
MWh	Megawatt Hours
NAAQS	National Ambient Air Quality Standards
NCI	Noncontrolling Interest
NM	Not Meaningful
NOV	Notice of Violation
NO_X	Nitrogen Oxide
OPGC	Odisha Power Generation Corporation, Ltd.
OTC Policy	Statewide Water Quality Control Policy on the Use of Coastal and Estuarine Waters for Power Plant Cooling
PPA	Power Purchase Agreement
PREPA	Puerto Rico Electric Power Authority
PUCO	The Public Utilities Commission of Ohio
RSU	Restricted Stock Unit
SBU	Strategic Business Unit
SEC	United States Securities and Exchange Commission
SO_2	Sulfur Dioxide
SWRCB	California State Water Resources Board
TCJA	Tax Cuts and Jobs Act
TDSIC	Transmission, Distribution, and Storage System Improvement Charge
U.S.	United States
USD	United States Dollar
VAT	Value-Added Tax
VIE	Variable Interest Entity

PART I: FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Condensed Consolidated Balance Sheets (Unaudited)

	March 31, 2022	December 31, 2021
	(in millions, except share and per share amounts)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,056	$ 943
Restricted cash	334	304
Short-term investments	440	232
Accounts receivable, net of allowance for doubtful accounts of $5 and $5, respectively	1,523	1,418
Inventory	688	604
Prepaid expenses	91	142
Other current assets	1,110	897
Current held-for-sale assets	900	816
Total current assets	6,142	5,356
NONCURRENT ASSETS		
Property, Plant and Equipment:		
Land	443	426
Electric generation, distribution assets and other	26,112	25,552
Accumulated depreciation	(8,734)	(8,486)
Construction in progress	2,632	2,414
Property, plant and equipment, net	20,453	19,906
Other Assets:		
Investments in and advances to affiliates	1,081	1,080
Debt service reserves and other deposits	172	237
Goodwill	1,182	1,177
Other intangible assets, net of accumulated amortization of $411 and $385, respectively	1,585	1,450
Deferred income taxes	385	409
Other noncurrent assets, net of allowance of $23 and $23, respectively	2,489	2,188
Noncurrent held-for-sale assets	1,159	1,160
Total other assets	8,053	7,701
TOTAL ASSETS	$ 34,648	$ 32,963
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 1,288	$ 1,153
Accrued interest	199	182
Accrued non-income taxes	294	266
Accrued and other liabilities	1,140	1,205
Non-recourse debt, including $657 and $302, respectively, related to variable interest entities	2,254	1,367
Current held-for-sale liabilities	578	559
Total current liabilities	5,753	4,732
NONCURRENT LIABILITIES		
Recourse debt	3,982	3,729
Non-recourse debt, including $1,909 and $2,223, respectively, related to variable interest entities	14,016	13,603
Deferred income taxes	1,035	977
Other noncurrent liabilities	3,275	3,358
Noncurrent held-for-sale liabilities	739	740
Total noncurrent liabilities	23,047	22,407
Commitments and Contingencies (see Note 8)		
Redeemable stock of subsidiaries	1,134	1,257
EQUITY		
THE AES CORPORATION STOCKHOLDERS' EQUITY		
Preferred stock (without par value, 50,000,000 shares authorized; 1,043,050 issued and outstanding at March 31, 2022 and December 31, 2021, respectively)	838	838
Common stock ($0.01 par value, 1,200,000,000 shares authorized; 818,735,314 issued and 667,859,645 outstanding at March 31, 2022 and 818,717,043 issued and 666,793,625 outstanding at December 31, 2021)	8	8
Additional paid-in capital	6,903	7,106
Accumulated deficit	(974)	(1,089)
Accumulated other comprehensive loss	(1,899)	(2,220)
Treasury stock, at cost (150,875,669 and 151,923,418 shares at March 31, 2022 and December 31, 2021, respectively)	(1,832)	(1,845)
Total AES Corporation stockholders' equity	3,044	2,798
NONCONTROLLING INTERESTS	1,670	1,769
Total equity	4,714	4,567
TOTAL LIABILITIES AND EQUITY	$ 34,648	$ 32,963

See Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended March 31,	
	2022	2021
	(in millions, except share and per share amounts)	
Revenue:		
Regulated	$ 835	$ 707
Non-Regulated	2,017	1,928
Total revenue	2,852	2,635
Cost of Sales:		
Regulated	(705)	(582)
Non-Regulated	(1,617)	(1,389)
Total cost of sales	(2,322)	(1,971)
Operating margin	530	664
General and administrative expenses	(52)	(46)
Interest expense	(258)	(190)
Interest income	75	68
Loss on extinguishment of debt	(6)	(1)
Other expense	(12)	(16)
Other income	6	43
Gain (loss) on disposal and sale of business interests	1	(5)
Asset impairment expense	(1)	(473)
Foreign currency transaction losses	(19)	(35)
INCOME FROM CONTINUING OPERATIONS BEFORE TAXES AND EQUITY IN EARNINGS OF AFFILIATES	264	9
Income tax expense	(60)	(8)
Net equity in losses of affiliates	(33)	(30)
NET INCOME (LOSS)	171	(29)
Less: Net income attributable to noncontrolling interests and redeemable stock of subsidiaries	(56)	(119)
NET INCOME (LOSS) ATTRIBUTABLE TO THE AES CORPORATION	$ 115	$ (148)
BASIC EARNINGS PER SHARE:		
NET INCOME (LOSS) ATTRIBUTABLE TO THE AES CORPORATION COMMON STOCKHOLDERS	$ 0.17	$ (0.22)
DILUTED EARNINGS PER SHARE:		
NET INCOME (LOSS) ATTRIBUTABLE TO THE AES CORPORATION COMMON STOCKHOLDERS	$ 0.16	$ (0.22)
DILUTED SHARES OUTSTANDING	711	666

See Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended March 31,	
	2022	2021
	(in millions)	
NET INCOME (LOSS)	$ 171	$ (29)
Foreign currency translation activity:		
Foreign currency translation adjustments, net of $0 income tax for all periods	132	(69)
Total foreign currency translation adjustments	132	(69)
Derivative activity:		
Change in derivative fair value, net of income tax expense of $73, and $67, respectively	272	243
Reclassification to earnings, net of income tax expense of $10, and $7, respectively	18	23
Total change in fair value of derivatives	290	266
Pension activity:		
Change in pension adjustments due to net actuarial gain (loss) for the period, net of income tax benefit of $0, and $1, respectively	—	1
Reclassification to earnings, net of $0 income tax for all periods	1	—
Total pension adjustments	1	1
OTHER COMPREHENSIVE INCOME	423	198
COMPREHENSIVE INCOME	594	169
Less: Comprehensive income attributable to noncontrolling interests and redeemable stock of subsidiaries	(82)	(151)
COMPREHENSIVE INCOME ATTRIBUTABLE TO THE AES CORPORATION	$ 512	$ 18

See Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Changes in Equity
(Unaudited)

	Three Months Ended March 31, 2022									
	Preferred Stock		Common Stock		Treasury Stock		Additional Paid-In Capital [1]	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interests
	Shares	Amount[1]	Shares	Amount	Shares	Amount				
	(in millions)									
Balance at January 1, 2022	1.0	$ 838	818.7	$ 8	152.0	$ (1,845)	$ 7,106	$ (1,089)	$ (2,220)	$ 1,769
Net income	—	—	—	—	—	—	—	115	—	94
Total foreign currency translation adjustment, net of income tax	—	—	—	—	—	—	—	—	131	1
Total change in derivative fair value, net of income tax	—	—	—	—	—	—	—	—	265	22
Total pension adjustments, net of income tax	—	—	—	—	—	—	—	—	1	—
Total other comprehensive loss	—	—	—	—	—	—	—	—	397	23
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	(25)
Acquisitions of noncontrolling interests	—	—	—	—	—	—	(93)	—	(76)	(367)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	—	—	86
Sales to noncontrolling interests	—	—	—	—	—	—	7	—	—	30
Issuance of preferred shares in subsidiaries	—	—	—	—	—	—	—	—	—	60
Dividends declared on common stock ($0.1580/share)	—	—	—	—	—	—	(105)	—	—	—
Issuance and exercise of stock-based compensation benefit plans, net of income tax	—	—	—	—	(1.1)	13	(12)	—	—	—
Balance at March 31, 2022	1.0	$ 838	818.7	$ 8	150.9	$ (1,832)	$ 6,903	$ (974)	$ (1,899)	$ 1,670

[1] The balance at January 1, 2022 includes a $13 million reclass from *Additional paid-in capital* to *Preferred stock* to reflect the retrospective adoption of ASU 2020-06. For further information, see Note 1—*Financial Statement Presentation*.

	Three Months Ended March 31, 2021									
	Preferred Stock		Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interests
	Shares	Amount	Shares	Amount	Shares	Amount				
	(in millions)									
Balance at January 1, 2021	—	$ —	818.4	$ 8	153.0	$ (1,858)	$ 7,561	$ (680)	$ (2,397)	$ 2,086
Net income (loss)	—	—	—	—	—	—	—	(148)	—	119
Total foreign currency translation adjustment, net of income tax	—	—	—	—	—	—	—	—	(53)	(16)
Total change in derivative fair value, net of income tax	—	—	—	—	—	—	—	—	219	27
Total pension adjustments, net of income tax	—	—	—	—	—	—	—	—	—	1
Total other comprehensive income	—	—	—	—	—	—	—	—	166	12
Fair value adjustment [1]	—	—	—	—	—	—	33	—	—	—
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	(17)
Acquisitions of noncontrolling interests	—	—	—	—	—	—	(5)	—	(6)	(3)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	—	—	94
Issuance of preferred stock	1.0	1,043	—	—	—	—	(235)	—	—	—
Dividends declared on common stock ($0.1505/share)	—	—	—	—	—	—	(101)	—	—	—
Issuance and exercise of stock-based compensation benefit plans, net of income tax	—	—	0.2	—	(0.7)	8	(12)	—	—	—
Balance at March 31, 2021	1.0	$ 1,043	818.6	$ 8	152.3	$ (1,850)	$ 7,241	$ (828)	$ (2,237)	$ 2,291

[1] Adjustment to record the redeemable stock of Colon at fair value.

See Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31,	
	2022	2021
	(in millions)	
OPERATING ACTIVITIES:		
Net income (loss)	$ 171	$ (29)
Adjustments to net income (loss):		
Depreciation and amortization	270	275
Loss (gain) on disposal and sale of business interests	(1)	5
Impairment expense	1	473
Deferred income taxes	(7)	21
Loss on extinguishment of debt	6	1
Loss (gain) on sale and disposal of assets	4	(20)
Loss of affiliates, net of dividends	33	36
Emissions allowance expense	118	58
Other	50	19
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(77)	(79)
(Increase) decrease in inventory	(44)	14
(Increase) decrease in prepaid expenses and other current assets	59	22
(Increase) decrease in other assets	(10)	31
Increase (decrease) in accounts payable and other current liabilities	(124)	(337)
Increase (decrease) in income tax payables, net and other tax payables	7	(92)
Increase (decrease) in deferred income	10	(142)
Increase (decrease) in other liabilities	(9)	(3)
Net cash provided by operating activities	457	253
INVESTING ACTIVITIES:		
Capital expenditures	(766)	(432)
Sale of short-term investments	197	257
Purchase of short-term investments	(345)	(130)
Contributions and loans to equity affiliates	(93)	(64)
Purchase of emissions allowances	(136)	(31)
Other investing	(10)	13
Net cash used in investing activities	(1,153)	(387)
FINANCING ACTIVITIES:		
Borrowings under the revolving credit facilities	1,193	792
Repayments under the revolving credit facilities	(715)	(793)
Issuance of recourse debt	—	7
Repayments of recourse debt	(29)	(7)
Issuance of non-recourse debt	1,710	307
Repayments of non-recourse debt	(788)	(320)
Payments for financing fees	(27)	(5)
Distributions to noncontrolling interests	(47)	(17)
Acquisitions of noncontrolling interests	(535)	(13)
Contributions from noncontrolling interests	8	94
Sales to noncontrolling interests	48	1
Issuance of preferred shares in subsidiaries	60	—
Issuance of preferred stock	—	1,017
Dividends paid on AES common stock	(105)	(100)
Payments for financed capital expenditures	(4)	(1)
Other financing	49	31
Net cash provided by financing activities	818	993
Effect of exchange rate changes on cash, cash equivalents and restricted cash	20	(22)
Increase in cash, cash equivalents and restricted cash of held-for-sale businesses	(64)	(58)
Total increase in cash, cash equivalents and restricted cash	78	779
Cash, cash equivalents and restricted cash, beginning	1,484	1,827
Cash, cash equivalents and restricted cash, ending	$ 1,562	$ 2,606
SUPPLEMENTAL DISCLOSURES:		
Cash payments for interest, net of amounts capitalized	$ 185	$ 167
Cash payments for income taxes, net of refunds	46	50
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Dividends declared but not yet paid	105	101
Non-cash consideration transferred for Clean Energy acquisitions (see Note 17)	—	119

See Notes to Condensed Consolidated Financial Statements.

Notes to Condensed Consolidated Financial Statements

For the Three Months Ended March 31, 2022 and 2021

(Unaudited)

1. FINANCIAL STATEMENT PRESENTATION

Consolidation — In this Quarterly Report, the terms “AES,” “the Company,” “us” or “we” refer to the consolidated entity, including its subsidiaries and affiliates. The terms “The AES Corporation” or “the Parent Company” refer only to the publicly held holding company, The AES Corporation, excluding its subsidiaries and affiliates. Furthermore, VIEs in which the Company has a variable interest have been consolidated where the Company is the primary beneficiary. Investments in which the Company has the ability to exercise significant influence, but not control, are accounted for using the equity method of accounting. All intercompany transactions and balances have been eliminated in consolidation.

Interim Financial Presentation — The accompanying unaudited condensed consolidated financial statements and footnotes have been prepared in accordance with GAAP, as contained in the FASB ASC, for interim financial information and Article 10 of Regulation S-X issued by the SEC. Accordingly, they do not include all the information and footnotes required by GAAP for annual fiscal reporting periods. In the opinion of management, the interim financial information includes all adjustments of a normal recurring nature necessary for a fair presentation of the results of operations, financial position, comprehensive income, changes in equity, and cash flows. The results of operations for the three months ended March 31, 2022 are not necessarily indicative of expected results for the year ending December 31, 2022. The accompanying condensed consolidated financial statements are unaudited and should be read in conjunction with the 2021 audited consolidated financial statements and notes thereto, which are included in the 2021 Form 10-K filed with the SEC on February 28, 2022 (the “2021 Form 10-K”).

Reclassifications — To comply with newly adopted accounting standards, certain prior period adjustments in the consolidated financial statements have been reclassified to conform to the current presentation. The beneficial conversion feature associated with the Equity Units was reclassified from *Additional paid-in capital* to *Preferred stock* in the Consolidated Balance Sheet for the year ended December 31, 2021. See further detail in the new accounting pronouncements discussion.

Cash, Cash Equivalents, and Restricted Cash — The following table provides a summary of cash, cash equivalents, and restricted cash amounts reported on the Condensed Consolidated Balance Sheet that reconcile to the total of such amounts as shown on the Condensed Consolidated Statements of Cash Flows (in millions):

	March 31, 2022	December 31, 2021
Cash and cash equivalents	$ 1,056	$ 943
Restricted cash	334	304
Debt service reserves and other deposits	172	237
Cash, Cash Equivalents, and Restricted Cash	$ 1,562	$ 1,484

ASC 326 - Financial Instruments - Credit Losses - The following table represents the rollforward of the allowance for credit losses for the period indicated (in millions):

Three Months Ended March 31, 2022	Accounts Receivable [1]	Mong Duong Loan Receivable [2]	Argentina Receivables	Other	Total
CECL reserve balance at beginning of period	$ 3	$ 30	$ 23	$ 7	$ 63
Current period provision	2	—	2	—	4
Write-offs charged against allowance	(2)	—	—	—	(2)
Foreign exchange	—	—	(2)	—	(2)
CECL reserve balance at end of period	$ 3	$ 30	$ 23	$ 7	$ 63

Three Months Ended March 31, 2021	Accounts Receivable [1]	Mong Duong Loan Receivable [2]	Argentina Receivables	Other	Total
CECL reserve balance at beginning of period	$ 9	$ 32	$ 20	$ 1	$ 62
Current period provision	—	—	1	—	1
Write-offs charged against allowance	(3)	—	—	—	(3)
Foreign exchange	—	—	(1)	—	(1)
CECL reserve balance at end of period	$ 6	$ 32	$ 20	$ 1	$ 59

(1) Excludes operating lease receivable allowances and contractual dispute allowances of $2 million and $5 million as of March 31, 2022 and March 31, 2021, respectively. These reserves are not in scope under ASC 326.

(2) Mong Duong loan receivable credit losses allowance was reclassified to held-for-sale assets on the Condensed Consolidated Balance Sheet as of March 31, 2022.

New Accounting Pronouncements Adopted in 2022 — The following table provides a brief description of recent accounting pronouncements that had an impact on the Company's consolidated financial statements. Accounting pronouncements not listed below were assessed and determined to be either not applicable or did not have a material impact on the Company's consolidated financial statements.

New Accounting Standards Adopted			
ASU Number and Name	**Description**	**Date of Adoption**	**Effect on the financial statements upon adoption**
2021-05, Leases (Topic 842), Lessors—Certain Leases with Variable Lease Payments	The amendments in this update affect lessors with lease contracts that (1) have variable lease payments that do not depend on a reference index or a rate and (2) would have resulted in the recognition of a selling loss at lease commencement if classified as sales-type or direct financing. Lessors should classify and account for a lease with variable lease payments that do not depend on a reference index or a rate as an operating lease if both of the following criteria are met: (a) The lease would have been classified as a sales-type lease or a direct financing lease in accordance with the classification criteria in paragraphs 842-10-25-2 through 25-3, (b) The lessor would have otherwise recognized a day-one loss. This update could be applied either (1) retrospectively to leases that commenced or were modified on or after the adoption of Update 2016-02 or (2) prospectively to leases that commence or are modified on or after the date that an entity first applies the amendments.	January 1, 2022	The Company adopted this standard on a prospective basis and it did not have a material impact on the financial statements.
2020-06, Debt - Debt with conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Equity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Equity's Own Equity	The amendments in this update affect entities that issue convertible instruments and/or contracts indexed to and potentially settled in an entity's own equity. The new ASU eliminates the beneficial conversion and cash conversion accounting models for convertible instruments. It also amends the accounting for certain contracts in an entity's own equity that are currently accounted for as derivatives because of specific settlement provisions. In addition, the new guidance modifies how particular convertible instruments and certain contracts that may be settled in cash or shares impact the diluted EPS computation.	January 1, 2022	The Company adopted this standard on a fully retrospective basis and its adoption resulted in a $13 million increase to *Preferred Stock* and a corresponding decrease to *Additional paid-in capital.* No impact to Earnings per Share amounts reported in 2021 or 2022.
2020-04 and 2021-01, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting	The amendments in these updates provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions that reference to LIBOR or another reference rate expected to be discontinued by reference rate reform, and clarify that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. These amendments are effective for a limited period of time (March 12, 2020 - December 31, 2022).	Effective for all entities as of March 12, 2020 through December 31, 2022	The Company is implementing the reference rate reform and does not expect these amendments to have a material impact on the financial statements.

New Accounting Pronouncements Issued But Not Yet Effective — The following table provides a brief description of recent accounting pronouncements that could have a material impact on the Company's consolidated financial statements once adopted. Accounting pronouncements not listed below were assessed and determined to

be either not applicable or are expected to have no material impact on the Company's consolidated financial statements.

New Accounting Standards Issued But Not Yet Effective			
ASU Number and Name	**Description**	**Date of Adoption**	**Effect on the financial statements upon adoption**
2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers	This update is to improve the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency related to the following: (1) Recognition of an acquired contract liability, and (2) Payment terms and their effect on subsequent revenue recognized by the acquirer. Early adoption of the amendments is permitted, including adoption in an interim period. An entity that early adopts in an interim period should apply the amendments (1) retrospectively to all business combinations for which the acquisition date occurs on or after the beginning of the fiscal year that includes the interim period of early application and (2) prospectively to all business combinations that occur on or after the date of initial application.	For fiscal years beginning after December 15, 2022, including interim periods within those fiscal years.	The Company is currently evaluating the impact of adopting the standard on its consolidated financial statements.

2. INVENTORY

The following table summarizes the Company's inventory balances as of the periods indicated (in millions):

	March 31, 2022	December 31, 2021
Fuel and other raw materials	$ 407	$ 366
Spare parts and supplies	281	238
Total	$ 688	$ 604

3. FAIR VALUE

The fair value of current financial assets and liabilities, debt service reserves, and other deposits approximate their reported carrying amounts. The estimated fair values of the Company's assets and liabilities have been determined using available market information. Because these amounts are estimates and based on hypothetical transactions to sell assets or transfer liabilities, the use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. For further information on our valuation techniques and policies, see Note 5—*Fair Value* in Item 8.—*Financial Statements and Supplementary Data* of our 2021 Form 10-K.

Recurring Measurements

The following table presents, by level within the fair value hierarchy, the Company's financial assets and liabilities that were measured at fair value on a recurring basis as of the dates indicated (in millions). For the Company's investments in marketable debt securities, the security classes presented were determined based on the nature and risk of the security and are consistent with how the Company manages, monitors, and measures its marketable securities:

	March 31, 2022				December 31, 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
DEBT SECURITIES:								
Available-for-sale:								
Certificates of deposit	$ —	$ 408	$ —	$ 408	$ —	$ 199	$ —	$ 199
Total debt securities	—	408	—	408	—	199	—	199
EQUITY SECURITIES:								
Mutual funds	30	12	—	42	31	13	—	44
Total equity securities	30	12	—	42	31	13	—	44
DERIVATIVES:								
Interest rate derivatives	—	157	3	160	—	51	2	53
Cross-currency derivatives	—	—	—	—	—	5	—	5
Foreign currency derivatives	—	20	93	113	—	29	108	137
Commodity derivatives	—	132	6	138	—	32	6	38
Total derivatives — assets	—	309	102	411	—	117	116	233
TOTAL ASSETS	$ 30	$ 729	$ 102	$ 861	$ 31	$ 329	$ 116	$ 476
Liabilities								
DERIVATIVES:								
Interest rate derivatives	$ —	$ 128	$ 2	$ 130	$ —	$ 286	$ 8	$ 294
Cross-currency derivatives	—	55	—	55	—	11	—	11
Foreign currency derivatives	—	23	—	23	—	35	—	35
Commodity derivatives	—	100	19	119	—	37	7	44
Total derivatives — liabilities	—	306	21	327	—	369	15	384
TOTAL LIABILITIES	$ —	$ 306	$ 21	$ 327	$ —	$ 369	$ 15	$ 384

As of March 31, 2022, all available-for-sale debt securities had stated maturities within one year. There were no other-than-temporary impairments of marketable securities during the three months ended March 31, 2022. Credit-related impairments are recognized in earnings under ASC 326. Gains and losses on the sale of investments are determined using the specific-identification method. The following table presents gross proceeds from the sale of available-for-sale securities during the periods indicated (in millions):

	Three Months Ended March 31,	
	2022	2021
Gross proceeds from sale of available-for-sale securities	$ 197	$ 245

The following tables present a reconciliation of net derivative assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months ended March 31, 2022 and 2021 (presented net by type of derivative in millions). Transfers between Level 3 and Level 2 principally result from changes in the significance of unobservable inputs used to calculate the credit valuation adjustment.

Three Months Ended March 31, 2022	Interest Rate	Cross Currency	Foreign Currency	Commodity	Total
Balance at January 1	$ (6)	$ —	$ 108	$ (1)	$ 101
Total realized and unrealized gains (losses):					
Included in earnings	2	—	(11)	1	(8)
Included in other comprehensive income — derivative activity	5	—	(4)	(14)	(13)
Settlements	—	—	—	(1)	(1)
Transfers of (assets)/liabilities, net out of Level 3	—	—	—	2	2
Balance at March 31	$ 1	$ —	$ 93	$ (13)	$ 81
Total gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities held at the end of the period	$ 2	$ —	$ (11)	$ 2	$ (7)

Three Months Ended March 31, 2021	Interest Rate	Cross Currency	Foreign Currency	Commodity	Total
Balance at January 1	$ (236)	$ (2)	$ 146	$ 2	$ (90)
Total realized and unrealized gains (losses):					
Included in earnings	2	(1)	(29)	—	(28)
Included in other comprehensive income — derivative activity	37	—	(10)	—	27
Settlements	12	—	(9)	(1)	2
Transfers of (assets) liabilities, net out of Level 3	19	—	—	—	19
Balance at March 31	$ (166)	$ (3)	$ 98	$ 1	$ (70)
Total gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities held at the end of the period	$ 2	$ —	$ (39)	$ —	$ (37)

The following table summarizes the significant unobservable inputs used for Level 3 derivative assets (liabilities) as of March 31, 2022 (in millions, except range amounts):

Type of Derivative	Fair Value	Unobservable Input	Amount or Range (Weighted Average)
Interest rate	$ 1	Subsidiaries' credit spreads	0.7% - 3.9% (1.5%)
Foreign currency:			
Argentine peso	93	Argentine peso to U.S. dollar currency exchange rate after one year	179 - 451 (325)
Commodity:			
Other	(13)		
Total	$ 81		

For interest rate derivatives and foreign currency derivatives, increases (decreases) in the estimates of the Company's own credit spreads would decrease (increase) the value of the derivatives in a liability position. For foreign currency derivatives, increases (decreases) in the estimate of the above exchange rate would increase (decrease) the value of the derivative.

Nonrecurring Measurements

The Company measures fair value using the applicable fair value measurement guidance. Impairment expense, shown as pre-tax loss below, is measured by comparing the fair value at the evaluation date to the then-latest available carrying amount and is included in *Asset impairment expense* or *Other non-operating expense,* as applicable, on the Condensed Consolidated Statements of Operations. The following table summarizes our major categories of assets measured at fair value on a nonrecurring basis and their level within the fair value hierarchy (in millions). There were no material impairments during the three months ended March 31, 2022.

			Fair Value			
Three Months Ended March 31, 2021	Measurement Date	Carrying Amount [1]	Level 1	Level 2	Level 3	Pre-tax Loss
Long-lived assets held and used:						
Puerto Rico	03/31/2021	$ 548	$ —	$ —	$ 73	$ 475

[1] Represents the carrying values at the dates of measurement, before fair value adjustment.

Financial Instruments not Measured at Fair Value in the Condensed Consolidated Balance Sheets

The following table presents (in millions) the carrying amount, fair value, and fair value hierarchy of the Company's financial assets and liabilities that are not measured at fair value in the Condensed Consolidated Balance Sheets as of the periods indicated, but for which fair value is disclosed:

		March 31, 2022				
			Fair Value			
		Carrying Amount	Total	Level 1	Level 2	Level 3
Assets:	Accounts receivable — noncurrent [1]	$ 51	$ 106	$ —	$ —	$ 106
Liabilities:	Non-recourse debt	16,117	16,355	—	14,139	2,216
	Recourse debt	3,982	3,822	—	3,822	—

		December 31, 2021				
			Fair Value			
		Carrying Amount	Total	Level 1	Level 2	Level 3
Assets:	Accounts receivable — noncurrent [1]	$ 55	$ 117	$ —	$ —	$ 117
Liabilities:	Non-recourse debt	14,811	16,091	—	16,065	26
	Recourse debt	3,754	3,818	—	3,818	—

[1] These amounts primarily relate to amounts due from CAMMESA, the administrator of the wholesale electricity market in Argentina, and amounts impacted by the Stabilization Fund enacted by the Chilean government, and are included in *Other noncurrent assets* in the accompanying Condensed Consolidated Balance Sheets. The fair value and carrying amount of these receivables exclude VAT of $2 million and $2 million as of March 31, 2022 and December 31, 2021, respectively.

4. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

For further information on the Company's derivative and hedge accounting policies, see Note 1—*General and Summary of Significant Accounting Policies—Derivative Instruments and Hedging Activities* of Item 8.—*Financial Statements and Supplementary Data* in the 2021 Form 10-K.

Volume of Activity — The following tables present the Company's maximum notional (in millions) over the remaining contractual period by type of derivative as of March 31, 2022, regardless of whether they are in qualifying cash flow hedging relationships, and the dates through which the maturities for each type of derivative range:

Interest Rate and Foreign Currency Derivatives	Maximum Notional Translated to USD	Latest Maturity
Interest rate	$ 5,346	2059
Cross-currency swaps (Brazilian real)	254	2026
Foreign Currency:		
Colombian peso	163	2024
Euro	138	2024
Mexican peso	53	2023
Brazilian real	35	2024
Chilean peso	33	2024
Argentine peso	10	2026

Commodity Derivatives	Maximum Notional	Latest Maturity
Natural Gas (in MMBtu)	105	2029
Power (in MWhs)	15	2040
Coal (in Tons or Metric Tons)	6	2027

Accounting and Reporting — *Assets and Liabilities* — The following tables present the fair value of assets and liabilities related to the Company's derivative instruments as of the periods indicated (in millions):

Fair Value	March 31, 2022			December 31, 2021		
	Designated	Not Designated	Total	Designated	Not Designated	Total
Assets						
Interest rate derivatives	$ 160	$ —	$ 160	$ 53	$ —	$ 53
Cross-currency derivatives	—	—	—	5	—	5
Foreign currency derivatives	25	88	113	28	109	137
Commodity derivatives	37	101	138	6	32	38
Total assets	$ 222	$ 189	$ 411	$ 92	$ 141	$ 233
Liabilities						
Interest rate derivatives	$ 127	$ 3	$ 130	$ 288	$ 6	$ 294
Cross-currency derivatives	55	—	55	11	—	11
Foreign currency derivatives	8	15	23	23	12	35
Commodity derivatives	19	100	119	11	33	44
Total liabilities	$ 209	$ 118	$ 327	$ 333	$ 51	$ 384

Fair Value	March 31, 2022		December 31, 2021	
	Assets	Liabilities	Assets	Liabilities
Current	$ 170	$ 90	$ 85	$ 83
Noncurrent	241	237	148	301
Total	$ 411	$ 327	$ 233	$ 384

Earnings and Other Comprehensive Income (Loss) — The following table presents the pre-tax gains (losses) recognized in AOCL and earnings related to all derivative instruments for the periods indicated (in millions):

	Three Months Ended March 31,	
	2022	2021
Cash flow hedges		
Gains (losses) recognized in AOCL		
Interest rate derivatives	$ 304	$ 309
Cross-currency derivatives	—	2
Foreign currency derivatives	12	(1)
Commodity derivatives	29	—
Total	$ 345	$ 310
Losses reclassified from AOCL into earnings		
Interest rate derivatives	$ (27)	$ (24)
Cross-currency derivatives	—	(1)
Foreign currency derivatives	—	(3)
Commodity derivatives	(1)	(2)
Total	$ (28)	$ (30)
Gains (losses) on fair value hedging relationship		
Cross-currency derivatives	$ (55)	$ —
Hedged items	57	—
Total	$ 2	$ —
Loss reclassified from AOCL to earnings due to impairment of assets	$ —	$ (4)
Gains (losses) recognized in earnings related to		
Not designated as hedging instruments:		
Interest rate derivatives	$ 2	$ 60
Foreign currency derivatives	(19)	(11)
Commodity derivatives and other	(13)	(93)
Total	$ (30)	$ (44)

AOCL is expected to decrease pre-tax income from continuing operations for the twelve months ended March 31, 2023 by $11 million, primarily due to interest rate derivatives.

5. FINANCING RECEIVABLES

Receivables with contractual maturities of greater than one year are considered financing receivables. The following table presents financing receivables by country as of the dates indicated (in millions):

	March 31, 2022			December 31, 2021		
	Gross Receivable	Allowance	Net Receivable	Gross Receivable	Allowance	Net Receivable
Chile	$ 19	$ —	$ 19	$ 17	$ —	$ 17
Argentina	10	1	9	11	1	10
Other	25	—	25	30	—	30
Total	$ 54	$ 1	$ 53	$ 58	$ 1	$ 57

Chile — AES Andes has recorded noncurrent receivables pertaining to revenues recognized on regulated energy contracts that were impacted by the Stabilization Fund created by the Chilean government in October 2019, in conjunction with the Tariff Stabilization Law. Historically, the government updated the prices for these contracts every six months to reflect the indexation the contracts have to exchange rates and commodities prices. The Stabilization Fund does not allow the pass-through of these contractual indexation updates to customers beyond the pricing in effect at July 1, 2019, until new lower-cost renewable contracts are incorporated into pricing in 2023. Consequently, costs incurred in excess of the July 1, 2019 price will be accumulated and borne by generators.

Argentina — Collection of the principal and interest on these receivables is subject to various business risks and uncertainties, including, but not limited to, the operation of power plants which generate cash for payments of these receivables, regulatory changes that could impact the timing and amount of collections, and economic conditions in Argentina. The Company monitors these risks, including the credit ratings of the Argentine government, on a quarterly basis to assess the collectability of these receivables. The Company accrues interest on these receivables once the recognition criteria have been met. The Company's collection estimates are based on assumptions that it believes to be reasonable, but are inherently uncertain. Actual future cash flows could differ from these estimates.

6. INVESTMENTS IN AND ADVANCES TO AFFILIATES

Summarized Financial Information — The following table summarizes financial information of the Company's 50%-or-less-owned affiliates that are accounted for using the equity method (in millions):

	50%-or-less Owned Affiliates [1]	
Three Months Ended March 31,	**2022**	**2021**
Revenue	$ 302	$ 506
Operating margin (loss)	(214)	32
Net loss	(254)	(17)

[1] As of July 1, 2021, AES began to account for its investment in Fluence quarterly, on a three-month lag. This shift in timing is necessary due to the nature of the entity subsequent to its IPO.

sPower — On February 1, 2021, the Company substantially completed the merger of the sPower and AES Renewable Holdings development platforms to form AES Clean Energy Development, a consolidated entity, which will serve as the development vehicle for all future renewable projects in the U.S. Since the sPower development platform was carved-out of AES' existing equity method investment, this transaction resulted in a $77 million decrease in the carrying value of the sPower investment. See Note 17—*Acquisitions* for further information. As the Company still does not control sPower after the transaction, it continues to be accounted for as an equity method investment and is reported in the US and Utilities SBU reportable segment.

7. DEBT

Non-Recourse Debt

During the three months ended March 31, 2022, the Company's subsidiaries had the following significant debt transactions:

Subsidiary	Transaction Period	Issuances	Repayments
United Kingdom	Q1	$ 710	$ (350)
Netherlands/Panama	Q1	500	—
AES Brasil	Q1	219	(192)
AES Andes	Q1	175	(95)

Netherlands and Panama — In March 2022, AES Hispanola Holdings BV, a Netherlands based company, and Colon, as co-borrowers, executed a $500 million bridge loan due in 2023. The Company allocated $450 million and $50 million of the proceeds from the agreement to AES Hispanola Holdings BV and Colon, respectively.

United Kingdom — On January 6, 2022, Mercury Chile HoldCo LLC ("Mercury Chile"), a UK based company, executed a $350 million bridge loan, and used the proceeds, as well as an additional capital contribution of $196 million from the Parent Company, to purchase the minority interest in AES Andes through intermediate holding companies (see Note 11—*Equity* for further information). On January 24, 2022, Mercury Chile issued $360 million aggregate principal of 6.5% senior secured notes due in 2027 and used the proceeds from the issuance to fully prepay the $350 million bridge loan.

Non-Recourse Debt in Default — The following table summarizes the Company's subsidiary non-recourse debt in default (in millions) as of March 31, 2022. Due to the defaults, these amounts are included in the current portion of non-recourse debt:

Subsidiary	Primary Nature of Default	Debt in Default	Net Assets
AES Puerto Rico	Covenant	$ 195	$ (183)
AES Ilumina (Puerto Rico)	Covenant	28	26
AES Jordan Solar	Covenant	7	7
Total		$ 230	

The above defaults are not payment defaults. In Puerto Rico, the subsidiary non-recourse debt defaults were triggered by failure to comply with covenants or other requirements contained in the non-recourse debt documents due to the bankruptcy of the offtaker.

The AES Corporation's recourse debt agreements include cross-default clauses that will trigger if a subsidiary or group of subsidiaries for which the non-recourse debt is in default provides 20% or more of the Parent Company's total cash distributions from businesses for the four most recently completed fiscal quarters. As of March 31, 2022, the Company had no defaults which resulted in, or were at risk of triggering, a cross-default under the recourse debt of the Parent Company. In the event the Parent Company is not in compliance with the financial covenants of its revolving credit facility, restricted payments will be limited to regular quarterly shareholder dividends

at the then-prevailing rate. Payment defaults and bankruptcy defaults would preclude the making of any restricted payments.

8. COMMITMENTS AND CONTINGENCIES

Guarantees, Letters of Credit and Commitments — In connection with certain project financings, acquisitions and dispositions, power purchases and other agreements, the Parent Company has expressly undertaken limited obligations and commitments, most of which will only be effective or will be terminated upon the occurrence of future events. In the normal course of business, the Parent Company has entered into various agreements, mainly guarantees and letters of credit, to provide financial or performance assurance to third parties on behalf of AES businesses. These agreements are entered into primarily to support or enhance the creditworthiness otherwise achieved by a business on a stand-alone basis, thereby facilitating the availability of sufficient credit to accomplish their intended business purposes. Most of the contingent obligations relate to future performance commitments which the Company or its businesses expect to fulfill within the normal course of business. The expiration dates of these guarantees vary from less than one year to no more than 14 years.

The following table summarizes the Parent Company's contingent contractual obligations as of March 31, 2022. Amounts presented in the following table represent the Parent Company's current undiscounted exposure to guarantees and the range of maximum undiscounted potential exposure. The maximum exposure is not reduced by the amounts, if any, that could be recovered under the recourse or collateralization provisions in the guarantees.

Contingent Contractual Obligations	Amount (in millions)	Number of Agreements	Maximum Exposure Range for Each Agreement (in millions)
Guarantees and commitments	$ 2,277	98	$0 — 400
Letters of credit under the unsecured credit facilities	140	35	$0 — 37
Letters of credit under the revolving credit facility	14	17	$0 — 3
Surety bonds	2	2	$1
Total	$ 2,433	152	

During the three months ended March 31, 2022, the Company paid letter of credit fees ranging from 1% to 3% per annum on the outstanding amounts of letters of credit.

Contingencies

Environmental — The Company periodically reviews its obligations as they relate to compliance with environmental laws, including site restoration and remediation. For the periods ended March 31, 2022 and December 31, 2021, the Company recognized liabilities of $4 million for projected environmental remediation costs. Due to the uncertainties associated with environmental assessment and remediation activities, future costs of compliance or remediation could be higher or lower than the amount currently accrued. Moreover, where no liability has been recognized, it is reasonably possible that the Company may be required to incur remediation costs or make expenditures in amounts that could be material but could not be estimated as of March 31, 2022. In aggregate, the Company estimates the range of potential losses related to environmental matters, where estimable, to be up to $13 million. The amounts considered reasonably possible do not include amounts accrued as discussed above.

Litigation — The Company is involved in certain claims, suits and legal proceedings in the normal course of business. The Company accrues for litigation and claims when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The Company has recognized aggregate liabilities for all claims of approximately $28 million and $23 million as of March 31, 2022 and December 31, 2021, respectively. These amounts are reported on the Condensed Consolidated Balance Sheets within *Accrued and other liabilities* and *Other noncurrent liabilities*. A significant portion of these accrued liabilities relate to regulatory matters and commercial disputes in international jurisdictions. There can be no assurance that these accrued liabilities will be adequate to cover all existing and future claims or that we will have the liquidity to pay such claims as they arise.

Where no accrued liability has been recognized, it is reasonably possible that some matters could be decided unfavorably to the Company and could require the Company to pay damages or make expenditures in amounts that could be material but could not be estimated as of March 31, 2022. The material contingencies where a loss is reasonably possible primarily include disputes with offtakers, suppliers and EPC contractors; alleged breaches of contract; alleged violation of laws and regulations; income tax and non-income tax matters with tax authorities; and regulatory matters. In aggregate, the Company estimates the range of potential losses, where estimable, related to these reasonably possible material contingencies to be between $252 million and $909 million. The amounts considered reasonably possible do not include the amounts accrued, as discussed above. These material

contingencies do not include income tax-related contingencies which are considered part of our uncertain tax positions.

Tietê GSF Settlement — In accordance with the regulation published by ANEEL in December 2020 regarding the incorrect application of the GSF mechanism between 2013 and 2018, Tietê will be compensated in the form of a concession extension period, initially determined to be 2.7 years, which will be amortized from the date of the agreement until the end of the new concession period. As of December 31, 2020, the compensation to be received from the concession extension was estimated to have a fair value of $184 million, based on a preliminary time-value equivalent calculation made by the CCEE. In March 2021, the CCEE's final calculation of fair value was $190 million and the Company recognized an additional reversal of *Non-Regulated Cost of Sales* of $6 million. In August 2021, ANEEL published Resolution 2.919/2021, establishing an extension for the end of the concession originally granted to AES Brasil's hydroelectric plants, from 2029 to 2032. On April 14, 2022, the amended term was finalized and agreed upon by ANEEL and AES.

9. LEASES

LESSOR — The Company has operating leases for certain generation contracts that contain provisions to provide capacity to a customer, which is a stand-ready obligation to deliver energy when required by the customer. Capacity receipts are generally considered lease elements as they cover the majority of available output from a facility. The allocation of contract payments between the lease and non-lease elements is made at the inception of the lease. Lease receipts from such contracts are recognized as lease revenue on a straight-line basis over the lease term, whereas variable lease receipts are recognized when earned.

The following table presents lease revenue from operating leases in which the Company is the lessor for the periods indicated (in millions):

	Three Months Ended March 31,	
Operating Lease Revenue	**2022**	**2021**
Total lease revenue	$ 134	$ 143
Less: Variable lease revenue	(7)	(14)
Total Non-variable lease revenue	$ 127	$ 129

The following table presents the underlying gross assets and accumulated depreciation of operating leases included in *Property, plant and equipment, net* for the periods indicated (in millions):

Property, Plant and Equipment, Net	**March 31, 2022**	**December 31, 2021**
Gross assets	$ 2,403	$ 2,423
Less: Accumulated depreciation	(780)	(765)
Net assets	$ 1,623	$ 1,658

The option to extend or terminate a lease is based on customary early termination provisions in the contract, such as payment defaults, bankruptcy, and lack of performance on energy delivery. The Company has not recognized any early terminations as of March 31, 2022. Certain leases may provide for variable lease payments based on usage or index-based (e.g., the U.S. Consumer Price Index) adjustments to lease payments.

The following table shows the future lease receipts as of March 31, 2022 for the remainder of 2022 through 2026 and thereafter (in millions):

	Future Cash Receipts for	
	Sales-Type Leases	**Operating Leases**
2022	$ 19	$ 339
2023	20	393
2024	21	394
2025	21	394
2026	21	281
Thereafter	289	747
Total	$ 391	$ 2,548
Less: Imputed interest	(173)	
Present value of total lease receipts	$ 218	

Battery Storage Lease Arrangements — The Company is constructing and operating projects that pair BESS with solar energy systems, which allows the project more flexibility on when to provide energy to the grid. The Company will enter into PPAs for the full output of the facility that allow customers the ability to determine when to charge and discharge the BESS. These arrangements include both lease and non-lease elements under ASC 842, with the BESS component constituting a sales-type lease. Prior to January 1, 2022, upon commencement of the lease, the book value of the leased asset was removed from the balance sheet and a net investment in a sales-type lease was recognized based on the present value of fixed payments under the contract and the residual value of the underlying asset. Due to the variable nature of lease payments under these contracts, the Company recorded a loss at commencement of sales-type leases of $13 million for the three months ended March 31, 2021. This amount is recognized in *Other expense* in the Consolidated Statement of Operations. See Note 14—*Other Income and Expense* for further information. Effective January 1, 2022, the Company adopted ASU 2021-05 in which lessors classify and account for certain leases with variable lease payments as operating leases. The Company adopted this standard on a prospective basis. See Note 1—*Financial Statement Presentation* for further information. The Company recognized lease income on sales-type leases through interest income of $3 million and $4 million for the three months ended March 31, 2022 and March 31, 2021, respectively.

10. REDEEMABLE STOCK OF SUBSIDIARIES

The following table summarizes the Company's redeemable stock of subsidiaries balances as of the periods indicated (in millions):

	March 31, 2022	December 31, 2021
IPALCO common stock	$ 700	$ 700
AES Clean Energy Development common stock	362	497
AES Indiana preferred stock	60	60
Potengi common and preferred stock	12	—
Total redeemable stock of subsidiaries	$ 1,134	$ 1,257

Potengi — In March 2022, Tucano Holding I ("Tucano"), a subsidiary of AES Brasil, completed the sale of 24% of its ownership in the Potengi wind development project to BRF S.A. ("BRF") for $12 million, reducing the Company's indirect ownership interest in Potengi to 35.5%. As the Company maintained control after the transaction, Potengi continues to be consolidated by the Company. As part of the transaction, BRF was given an option to sell its entire ownership interest at the conclusion of the PPA term. As a result, the minority ownership interest is considered temporary equity, which will be adjusted for earnings or losses allocated to the noncontrolling interest under ASC 810. Any subsequent changes in the redemption value of the exit rights will be recognized against permanent equity in accordance with ASC 480-10-S99, as it is probable that the shares will become redeemable.

AES Clean Energy Development — On February 1, 2021, the Company substantially completed the merger of the sPower and AES Renewable Holdings development platforms to form AES Clean Energy Development, which will serve as the development vehicle for all future renewable projects in the U.S. As part of the transaction, AIMCo, our existing partner in the sPower equity method investment, received a 25% minority ownership interest in the newly formed entity along with certain partnership rights, though not currently in effect, that would enable AIMCo to exit in the future. As a result, the minority ownership interest is considered temporary equity, which will be adjusted for earnings or losses allocated to the noncontrolling interest under ASC 810. Any subsequent changes in the redemption value of the exit rights will be recognized against permanent equity in accordance with ASC 480-10-S99, as it is probable that the shares will become redeemable. See Note 17—*Acquisitions* for further information.

11. EQUITY

Equity Units

In March 2021, the Company issued 10,430,500 Equity Units with a total notional value of $1,043 million. Each Equity Unit has a stated amount of $100 and was initially issued as a Corporate Unit, consisting of a forward stock purchase contract ("2024 Purchase Contracts") and a 10% undivided beneficial ownership interest in one share of 0% Series A Cumulative Perpetual Convertible Preferred Stock, issued without par and with a liquidation preference of $1,000 per share ("Series A Preferred Stock").

Upon reconsideration of the nature of the Equity Units, the Company re-evaluated its accounting assessment and concluded that the Equity Units should be accounted for as one unit of account based on the economic linkage between the 2024 Purchase Contracts and the Series A Preferred Stock, as well as the Company's assessment of the applicable accounting guidance relating to combining freestanding instruments. The Equity Units represent mandatorily convertible preferred stock. Accordingly, the shares associated with the combined instrument are reflected in diluted earnings per share using the if-converted method.

In the fourth quarter of 2021, the Company also corrected the classification of certain amounts in the Consolidated Balance Sheet and Statement of Changes in Equity to reflect the 2024 Purchase Contracts and Series A Preferred Stock as one unit of account. The corrections have no impact on the Company's net earnings, total assets, cash flows, or segment information.

In conjunction with the issuance of the Equity Units, the Company received approximately $1 billion in proceeds, net of underwriting costs and commissions, before offering expenses. The proceeds for the issuance of 1,043,050 shares are attributed to the Series A Preferred Stock for $838 million and $205 million for the present value of the quarterly payments due to holders of the 2024 Purchase Contracts ("Contract Adjustment Payments"). The proceeds will be used for the development of the AES renewable businesses, U.S. utility businesses, LNG infrastructure, and for other developments determined by management.

The Series A Preferred Stock will initially not bear any dividends and the liquidation preference of the convertible preferred stock will not accrete. The Series A Preferred Stock has no maturity date and will remain outstanding unless converted by holders or redeemed by the Company. Holders of the shares of the convertible preferred stock will have limited voting rights.

The Series A Preferred Stock is pledged as collateral to support holders' purchase obligations under the 2024 Purchase Contracts and can be remarketed. In connection with any successful remarketing, the Company may increase the dividend rate, increase the conversion rate, and modify the earliest redemption date for the convertible preferred stock. After any successful remarketing in connection with which the dividend rate on the convertible preferred stock is increased, the Company will pay cumulative dividends on the convertible preferred stock, if declared by the board of directors, quarterly in arrears from the applicable remarketing settlement date.

Holders of Corporate Units may create Treasury Units or Cash Settled Units from their Corporate Units as provided in the Purchase Contract Agreement by substituting Treasury securities or cash, respectively, for the Convertible Preferred Stock comprising a part of the Corporate Units.

The Company may not redeem the Series A Preferred Stock prior to March 22, 2024. At the election of the Company, on or after March 22, 2024, the Company may redeem for cash, all or any portion of the outstanding shares of the Series A Preferred Stock at a redemption price equal to 100% of the liquidation preference, plus any accumulated and unpaid dividends.

The 2024 Purchase Contracts obligate the holders to purchase, on February 15, 2024, for a price of $100 in cash, a maximum number of 57,225,895 shares of the Company's common stock (subject to customary anti-dilution adjustments). The 2024 Purchase Contract holders may elect to settle their obligation early, in cash. The Series A Preferred Stock is pledged as collateral to guarantee the holders' obligations to purchase common stock under the terms of the 2024 Purchase Contracts. The initial settlement rate determining the number of shares that each holder must purchase will not exceed the maximum settlement rate and is determined over a market value averaging period preceding February 15, 2024.

The initial maximum settlement rate of 3.864 was calculated using an initial reference price of $25.88, equal to the last reported sale price of the Company's common stock on March 4, 2021. As of March 31, 2022, due to the customary anti-dilution provisions, the maximum settlement rate was 3.865, equivalent to a reference price of $25.87. If the applicable market value of the Company's common stock is less than or equal to the reference price, the settlement rate will be the maximum settlement rate; and if the applicable market value of common stock is greater than the reference price, the settlement rate will be a number of shares of the Company's common stock equal to $100 divided by the applicable market value. Upon successful remarketing of the Series A Preferred Stock ("Remarketed Series A Preferred Stock"), the Company expects to receive additional cash proceeds of $1 billion and issue shares of Remarketed Series A Preferred Stock.

The Company pays Contract Adjustment Payments to the holders of the 2024 Purchase Contracts at a rate of 6.875% per annum, payable quarterly in arrears on February 15, May 15, August 15, and November 15, commencing on May 15, 2021. The $205 million present value of the Contract Adjustment Payments at inception reduced the Series A Preferred Stock. As each quarterly Contract Adjustment Payment is made, the related liability is reduced and the difference between the cash payment and the present value will accrete to interest expense, approximately $5 million over the three-year term. As of March 31, 2022, the present value of the Contract Adjustment Payments was $141 million.

The holders can settle the purchase contracts early, for cash, subject to certain exceptions and conditions in the prospectus supplement. Upon early settlement of any purchase contracts, the Company will deliver the number of shares of its common stock equal to 85% of the number of shares of common stock that would have otherwise been deliverable.

Equity Transactions with Noncontrolling Interests

Guaimbê Holding — In January 2022, Guaimbê Solar Holding S.A ("Guaimbê Holding"), a subsidiary of AES Brasil, issued preferred shares representing 3.5% ownership in the subsidiary for total proceeds of $63 million. The transaction decreased the Company's indirect ownership interest in the operational entities from 37.4% to 35.8%. As the Company maintained control after the transaction, Guaimbê Holding continues to be consolidated by the Company within the South America SBU reportable segment.

Chile Renovables — Under its agreement with Global Infrastructure Management, LLC ("GIP"), the minority interest holder in Chile Renovables SpA since July 2021, AES Andes will contribute a specified pipeline of renewable development projects to Chile Renovables as the projects reach commercial operations, and GIP will make additional contributions to maintain its 49% ownership interest. In January 2022, AES Andes completed the sale of Andes Solar 2a to Chile Renovables for $37 million, resulting in an increase to NCI of $28 million and an increase to additional paid-in capital of $9 million. As the Company maintained control after the transaction, Chile Renovables continues to be consolidated by the Company within the South America SBU reportable segment.

AES Andes — On December 29, 2020, AES Andes commenced a preemptive rights offering for its existing shareholders to subscribe for up to 1.98 billion of newly issued shares to fund its renewable growth program. The period ended on February 5, 2021 and Inversiones Cachagua SpA ("Cachagua"), an AES subsidiary, subscribed for 1.35 billion shares at a cost of $205 million, increasing AES' indirect beneficial interest in AES Andes from 67% to 67.1%. The noncontrolling interest holders subscribed for 629 million shares, resulting in additional capital contributions of $94 million.

In January 2022, Cachagua completed a tender offer for the shares of AES Andes held by minority shareholders for $522 million, net of transaction costs. Upon completion, AES' indirect beneficial interest in AES Andes increased from 67.1% to 98%. Through multiple transactions following the tender offer, Cachagua acquired an additional 1% ownership in AES Andes for $13 million, further increasing AES' indirect beneficial interest to 99%. These transactions resulted in a $169 million decrease to Parent Company Stockholder's Equity due to a decrease in additional paid-in capital of $93 million and the reclassification of accumulated other comprehensive losses from NCI to AOCL of $76 million. AES Andes is reported in the South America SBU reportable segment.

AES Brasil — On December 18, 2020, the AES Tietê board approved a proposal for the corporate reorganization and exchange of shares issued by AES Tietê with newly issued shares of AES Brasil, a formerly wholly-owned entity of AES Tietê, with the intent to list AES Brasil on Novo Mercado, a listing segment of the Brazilian stock exchange that requires equity capital to be composed only of common shares, as the 100% shareholder of AES Tietê. The reorganization and the exchange of shares was completed on March 26, 2021, and the shares issued by AES Brasil started trading on Novo Mercado on March 29, 2021. The Company maintains majority representation on AES Brasil's board of directors, and as such, continues to consolidate AES Brasil's results in the South America SBU reportable segment.

During the first quarter of 2021, AHB acquired an additional 1.2% ownership in AES Brasil for $13 million. These transactions increased the Company's economic interest in AES Brasil to 45.3% and resulted in a $10 million decrease in Parent Company Stockholder's Equity due to a decrease in additional paid-in capital of $4 million and the reclassification of accumulated other comprehensive losses from NCI to AOCL of $6 million.

Accumulated Other Comprehensive Loss — The following table summarizes the changes in AOCL by component, net of tax and NCI, for the three months ended March 31, 2022 (in millions):

	Foreign currency translation adjustment, net	Unrealized derivative gains (losses), net	Unfunded pension obligations, net	Total
Balance at the beginning of the period	$ (1,734)	$ (456)	$ (30)	$ (2,220)
Other comprehensive income before reclassifications	131	258	—	389
Amount reclassified to earnings	—	7	1	8
Other comprehensive income	131	265	1	397
Reclassification from NCI due to share repurchases	(53)	(20)	(3)	(76)
Balance at the end of the period	$ (1,656)	$ (211)	$ (32)	$ (1,899)

Reclassifications out of AOCL are presented in the following table. Amounts for the periods indicated are in millions and those in parentheses indicate debits to the Condensed Consolidated Statements of Operations:

AOCL Components	Affected Line Item in the Condensed Consolidated Statements of Operations	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Derivative gains (losses), net			
	Non-regulated revenue	$ (1)	$ —
	Non-regulated cost of sales	(1)	(1)
	Interest expense	(23)	(16)
	Asset impairment expense	—	(4)
	Foreign currency transaction losses	—	(3)
	Income from continuing operations before taxes and equity in earnings of affiliates	(25)	(24)
	Income tax expense	10	7
	Net equity in losses of affiliates	(3)	(6)
	Net income (loss)	(18)	(23)
	Less: Net income attributable to noncontrolling interests and redeemable stock of subsidiaries	11	6
	Net income (loss) attributable to The AES Corporation	$ (7)	$ (17)
Amortization of defined benefit pension actuarial gain (loss), net			
	Other expense	$ (1)	$ —
	Net income (loss) attributable to The AES Corporation	$ (1)	$ —
Total reclassifications for the period, net of income tax and noncontrolling interests		$ (8)	$ (17)

Common Stock Dividends — The Parent Company paid dividends of $0.1580 per outstanding share to its common stockholders during the first quarter of 2022 for dividends declared in December 2021.

On February 24, 2022, the Board of Directors declared a quarterly common stock dividend of $0.1580 per share payable on May 13, 2022, to shareholders of record at the close of business on April 29, 2022.

12. SEGMENTS

The segment reporting structure uses the Company's management reporting structure as its foundation to reflect how the Company manages the businesses internally and is mainly organized by geographic regions, which provides a socio-political-economic understanding of our business. The management reporting structure is organized by four SBUs led by our President and Chief Executive Officer: US and Utilities, South America, MCAC, and Eurasia SBUs. Using the accounting guidance on segment reporting, the Company determined that its four operating segments are aligned with its four reportable segments corresponding to its SBUs. In January 2022, we internally announced a reorganization as a part of our ongoing strategy to align our business to meet our customers' needs and deliver on our major strategic objectives. The Company performed an assessment in accordance with ASC 280 and determined there were no changes to its operating or reportable segments.

Corporate and Other — Included in "Corporate and Other" are the results of the AES self-insurance company and certain equity affiliates, corporate overhead costs which are not directly associated with the operations of our four reportable segments, and certain intercompany charges such as self-insurance premiums which are fully eliminated in consolidation.

The Company uses Adjusted PTC as its primary segment performance measure. Adjusted PTC, a non-GAAP measure, is defined by the Company 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. Adjusted PTC also includes net equity in earnings of affiliates on an after-tax basis adjusted for the same gains or losses excluded from consolidated entities. The Company has concluded that Adjusted PTC better reflects the underlying business performance of the Company and is the most relevant measure considered in the Company's internal evaluation of the financial performance of its segments. Additionally, given its large number of businesses and complexity, the Company concluded that Adjusted PTC is a more transparent measure that better assists investors in determining which businesses have the greatest impact on the Company's results.

Revenue and Adjusted PTC are presented before inter-segment eliminations, which includes the effect of intercompany transactions with other segments except for interest, charges for certain management fees, and the write-off of intercompany balances, as applicable. All intra-segment activity has been eliminated within the segment. Inter-segment activity has been eliminated within the total consolidated results.

The following tables present financial information by segment for the periods indicated (in millions):

	Three Months Ended March 31,	
Total Revenue	**2022**	**2021**
US and Utilities SBU	$ 1,117	$ 949
South America SBU	810	884
MCAC SBU	566	535
Eurasia SBU	368	270
Corporate and Other	23	24
Eliminations	(32)	(27)
Total Revenue	$ 2,852	$ 2,635

	Three Months Ended March 31,	
Total Adjusted PTC	**2022**	**2021**
Income from continuing operations before taxes and equity in earnings of affiliates	$ 264	$ 9
Add: Net equity in losses of affiliates	(33)	(30)
Less: Income from continuing operations before taxes, attributable to noncontrolling interests and redeemable stock of subsidiaries	(66)	(163)
Pre-tax contribution	165	(184)
Unrealized derivative and equity securities losses	41	69
Unrealized foreign currency losses (gains)	(19)	6
Disposition/acquisition losses (gains)	9	(15)
Impairment losses	1	475
Loss on extinguishment of debt	10	6
Net gains from early contract terminations at Angamos	—	(110)
Total Adjusted PTC	$ 207	$ 247

	Three Months Ended March 31,	
Total Adjusted PTC	**2022**	**2021**
US and Utilities SBU	$ 57	$ 44
South America SBU	128	88
MCAC SBU	37	61
Eurasia SBU	65	51
Corporate and Other	(75)	(7)
Eliminations	(5)	10
Total Adjusted PTC	$ 207	$ 247

Total Assets	**March 31, 2022**	**December 31, 2021**
US and Utilities SBU	$ 17,305	$ 16,512
South America SBU	8,544	7,728
MCAC SBU	4,609	4,545
Eurasia SBU	3,495	3,466
Corporate and Other	695	712
Total Assets	$ 34,648	$ 32,963

13. REVENUE

The following table presents our revenue from contracts with customers and other revenue for the periods indicated (in millions):

	Three Months Ended March 31, 2022					
	US and Utilities SBU	South America SBU	MCAC SBU	Eurasia SBU	Corporate, Other and Eliminations	Total
Regulated Revenue						
Revenue from contracts with customers	$ 828	$ —	$ —	$ —	$ —	$ 828
Other regulated revenue	7	—	—	—	—	7
Total regulated revenue	835	—	—	—	—	835
Non-Regulated Revenue						
Revenue from contracts with customers	269	805	541	309	(9)	1,915
Other non-regulated revenue [1]	13	5	25	59	—	102
Total non-regulated revenue	282	810	566	368	(9)	2,017
Total revenue	$ 1,117	$ 810	$ 566	$ 368	$ (9)	$ 2,852

	Three Months Ended March 31, 2021					
	US and Utilities SBU	South America SBU	MCAC SBU	Eurasia SBU	Corporate, Other and Eliminations	Total
Regulated Revenue						
Revenue from contracts with customers	$ 698	$ —	$ —	$ —	$ —	$ 698
Other regulated revenue	9	—	—	—	—	9
Total regulated revenue	707	—	—	—	—	707
Non-Regulated Revenue						
Revenue from contracts with customers	224	883	510	209	(3)	1,823
Other non-regulated revenue [1]	18	1	25	61	—	105
Total non-regulated revenue	242	884	535	270	(3)	1,928
Total revenue	$ 949	$ 884	$ 535	$ 270	$ (3)	$ 2,635

[1] Other non-regulated revenue primarily includes lease and derivative revenue not accounted for under ASC 606.

Contract Balances — The timing of revenue recognition, billings, and cash collections results in accounts receivable and contract liabilities. The contract liabilities from contracts with customers were $235 million and $216 million as of March 31, 2022 and December 31, 2021, respectively.

During the three months ended March 31, 2022 and 2021, we recognized revenue of $30 million and $183 million, respectively, that was included in the corresponding contract liability balance at the beginning of the periods.

In August 2020, AES Andes reached an agreement with Minera Escondida and Minera Spence to early terminate two PPAs of the Angamos coal-fired plant in Chile, further accelerating AES Andes' decarbonization strategy. As a result of the termination payment, Angamos recognized a contract liability of $655 million, of which $55 million was derecognized each month through the end of the remaining performance obligation in August 2021.

A significant financing arrangement exists for our Mong Duong plant in Vietnam. The plant was constructed under a build, operate, and transfer contract and will be transferred to the Vietnamese government after the completion of a 25 year PPA. The performance obligation to construct the facility was substantially completed in 2015. Contract consideration related to the construction, but not yet collected through the 25 year PPA, was reflected on the Condensed Consolidated Balance Sheet. As of March 31, 2022 and December 31, 2021, Mong Duong met the held-for-sale criteria and the loan receivable balance of approximately $1.2 billion net of CECL reserve of $30 million was classified as held-for-sale assets. Of the loan receivable balance, $93 million and $91 million was classified as *Current held-for-sale assets*, respectively, and $1.1 billion was classified as *Noncurrent held-for-sale assets*.

Remaining Performance Obligations — The transaction price allocated to remaining performance obligations represents future consideration for unsatisfied (or partially unsatisfied) performance obligations at the end of the reporting period. As of March 31, 2022, the aggregate amount of transaction price allocated to remaining performance obligations was $9 million, primarily consisting of fixed consideration for the sale of renewable energy credits ("RECs") in long-term contracts in the U.S. We expect to recognize revenue on approximately one-fifth of the remaining performance obligations in 2022 and 2023, with the remainder recognized thereafter.

14. OTHER INCOME AND EXPENSE

Other income generally includes gains on insurance recoveries in excess of property damage, gains on asset sales and liability extinguishments, favorable judgments on contingencies, allowance for funds used during construction, and other income from miscellaneous transactions. Other expense generally includes losses on asset sales and dispositions, losses on legal contingencies, defined benefit plan non-service costs, and losses from other miscellaneous transactions. The components are summarized as follows (in millions):

		Three Months Ended March 31,	
		2022	2021
Other Income	AFUDC (US Utilities)	$ 3	$ 2
	Gain on remeasurement to acquisition-date fair value [1]	—	36
	Other	3	5
	Total other income	$ 6	$ 43
Other Expense	Loss on sale and disposal of assets	$ 4	$ 3
	Loss on commencement of sales-type leases [2]	—	13
	Other	8	—
	Total other expense	$ 12	$ 16

[1] Related to the remeasurement of our existing equity interest in sPower's development platform as part of the step acquisition to form AES Clean Energy Development. See Note 17—*Acquisitions* for further information.

[2] Related to a loss recognized at commencement of a sales-type lease at AES Renewable Holdings. See Note 9—*Leases* for further information.

15. ASSET IMPAIRMENT EXPENSE

The following table presents our asset impairment expense for the periods indicated (in millions):

	Three Months Ended March 31,	
	2022	2021
Puerto Rico	$ —	$ 475
Other	1	(2)
Total	$ 1	$ 473

Puerto Rico — New factors arose in the first quarter of 2021 associated with the economic costs and operational and reputational risks of disposal of coal combustion residuals off island. In addition, new legislative initiatives surrounding the prohibition of coal generation assets in Puerto Rico were introduced. Collectively, these factors along with management's decision on how to best achieve our stated decarbonization goals resulted in an indicator of impairment at our asset group in Puerto Rico. As such, management performed a recoverability test in accordance with ASC 360 and concluded that Puerto Rico's undiscounted cash flows did not exceed the carrying value of the asset group. The fair value of the asset group was determined to be $73 million, resulting in pre-tax impairment expense of $475 million. Puerto Rico is reported in the US and Utilities SBU reportable segment.

16. HELD-FOR-SALE

Mong Duong — In December 2020, the Company entered into an agreement to sell its entire 51% ownership interest in Mong Duong, a coal-fired plant in Vietnam, and 51% equity interest in Mong Duong Finance Holdings B.V, an SPV accounted for as an equity affiliate. The sale is subject to regulatory approval and is expected to close in early 2023. As of March 31, 2022, the Mong Duong plant and SPV were classified as held-for-sale, but did not meet the criteria to be reported as discontinued operations. On a consolidated basis, the carrying value of the plant and SPV held-for-sale as of March 31, 2022 was $553 million. Mong Duong is reported in the Eurasia SBU reportable segment.

Jordan — In November 2020, the Company signed an agreement to sell 26% ownership interest in IPP1 and IPP4 for $58 million. The sale is expected to close in the second quarter of 2022. After completion of the sale, the Company will retain a 10% ownership interest in IPP1 and IPP4, which will be accounted for as an equity method investment. As of March 31, 2022, the generation plants were classified as held-for-sale, but did not meet the criteria to be reported as discontinued operations. On a consolidated basis, the carrying value of the plants held-for-sale as of March 31, 2022 was $190 million. Jordan is reported in the Eurasia SBU reportable segment.

Excluding any impairment charges, pre-tax income attributable to AES of businesses held-for-sale as of March 31, 2022 was as follows:

(in millions)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Mong Duong	$ 24	$ 15
Jordan	5	5
Total	$ 29	$ 20

17. ACQUISITIONS

Community Energy — In the first quarter of 2022, the Company finalized the purchase price allocation related to the acquisition of Community Energy, LLC. There were no significant adjustments made to the preliminary purchase price allocation recorded in the fourth quarter of 2021 when the acquisition was completed. Community Energy is reported in the US and Utilities SBU reportable segment.

New York Wind — In the first quarter of 2022, the Company finalized the purchase price allocation related to the acquisition of Cogentrix Valcour Intermediate Holdings, LLC. There were no significant adjustments made to the preliminary purchase price allocation recorded in the fourth quarter of 2021 when the acquisition was completed. New York Wind is reported in the US and Utilities SBU reportable segment.

AES Clean Energy Development — On February 1, 2021, the Company substantially completed the merger of the sPower and AES Renewable Holdings development platforms to form AES Clean Energy Development, which will serve as the development vehicle for all future renewable projects in the U.S. As part of the transaction, AES acquired an additional 25% ownership interest in the sPower development platform from AIMCo, our existing partner in the sPower equity method investment, in exchange for a 25% ownership interest in specifically identified development entities of AES Renewable Holdings, certain future exit rights in the new partnership, and $7 million of cash.

The sPower development platform was carved-out of AES' existing equity method investment. AES' basis in the portion of assets transferred was $77 million, and the contribution to AES Clean Energy Development resulted in a corresponding decrease in the carrying value of the sPower investment. See Note 6—*Investments in and Advances to Affiliates* for further information.

During the first quarter of 2021, the sPower development assets transferred were remeasured at their acquisition-date preliminary fair values, resulting in the recognition of a $36 million gain, recorded in *Other income* on the Condensed Consolidated Statement of Operations. The Company recorded $81 million in *Goodwill* as of the acquisition date, representing the difference between the fair value of the consideration transferred, the noncontrolling interest in the sPower development platform, and the acquisition-date fair value of the Company's previously held equity interest and the fair value of the identifiable assets acquired and liabilities assumed.

During the second quarter of 2021, the Company recorded measurement period adjustments as result of additional facts and circumstances that existed as of the date of the acquisition but were not yet known as of the time of the valuation performed in the first quarter of 2021. These measurement period adjustments primarily related to higher expected developer profits and a higher growth rate, reflective of additional information that became available regarding market participants' views of the value of early-stage renewable development projects as of the date of acquisition. As a result, the estimated goodwill as of the acquisition date was reduced to $45 million, as a result of adjustments to the fair value of the consideration paid and updates to the fair values of separately identifiable intangible assets. The Company finalized the purchase price allocation in the third quarter of 2021, which did not result in any material measurement period adjustments.

Subsequent to the closing of the transaction, AES holds a 75% ownership interest in AES Clean Energy Development. AIMCo holds the remaining 25% minority interest along with certain partnership rights, though currently not in effect, that would enable AIMCo to exit in the future. AIMCo's minority interest is recorded as temporary equity in *Redeemable stock of subsidiaries* on the Condensed Consolidated Balance Sheet. See Note 10—*Redeemable Stock of Subsidiaries* for further information. AES Clean Energy Development is reported in the US and Utilities SBU reportable segment.

Great Cove Solar— On January 25, 2021, AES Clean Energy Development completed the acquisition of Great Cove Solar, LLC. The fair value of the initial consideration paid to acquire Great Cove I was $13 million, which included contingent consideration liabilities of $6 million. This acquisition was accounted for as an asset acquisition of variable interest entities that did not meet the definition of a business; therefore, the assets acquired and liabilities assumed were recorded at their fair values, which equaled the fair value of the consideration. Great Cove Solar is reported in the US and Utilities SBU reportable segment.

18. EARNINGS PER SHARE

Basic and diluted earnings per share are based on the weighted average number of shares of common stock and potential common stock outstanding during the period. Potential common stock, for purposes of determining diluted earnings per share, includes the effects of dilutive RSUs, stock options, and equity units. The effect of such potential common stock is computed using the treasury stock method for RSUs and stock options, and is computed using the if-converted method for equity units.

The following table is a reconciliation of the numerator and denominator of the basic and diluted earnings per share computation for income from continuing operations for the three months ended March 31, 2022 and 2021, where income represents the numerator and weighted average shares represent the denominator.

Three Months Ended March 31,	2022			2021		
(in millions, except per share data)	Income	Shares	$ per Share	Loss	Shares	$ per Share
BASIC EARNINGS (LOSS) PER SHARE						
Income (loss) from continuing operations attributable to The AES Corporation common stockholders	$ 115	668	$ 0.17	$ (148)	666	$ (0.22)
EFFECT OF DILUTIVE SECURITIES						
Stock options	—	1	—	—	—	—
Restricted stock units	—	2	—	—	—	—
Equity units	—	40	(0.01)	—	—	—
DILUTED EARNINGS (LOSS) PER SHARE	$ 115	711	$ 0.16	$ (148)	666	$ (0.22)

The calculation of diluted earnings per share excluded 2 million outstanding stock awards for the three months ended March 31, 2022, which would be anti-dilutive. These stock awards could potentially dilute basic earnings per share in the future.

For the three months ended March 31, 2021, the calculation of diluted earnings per share excluded 5 million outstanding stock awards because their impact would be anti-dilutive given the loss from continuing operations. These stock awards could potentially dilute basic earnings per share in the future. Had the Company generated income, 4 million potential shares of common stock related to the stock awards would have been included in diluted weighted-average shares outstanding. Due to the full retrospective adoption of ASU 2020-06, an additional 2 million potential shares of common stock related to the assumed share settlement of the Contract Adjustment Payments would have been included in diluted weighted-average shares outstanding.

As described in Note 11—*Equity*, the Company issued 10,430,500 Equity Units in March 2021 with a total notional value of $1,043 million. Each Equity Unit has a stated amount of $100 and was initially issued as a Corporate Unit, consisting of a 2024 Purchase Contract and a 10% undivided beneficial ownership interest in one share of Series A Preferred Stock. Prior to February 15, 2024, the Series A Preferred Stock may be converted at the option of the holder only in connection with a fundamental change. On and after February 15, 2024, the Series A Preferred Stock may be converted freely at the option of the holder. Upon conversion, the Company will deliver to the holder with respect to each share of Series A Preferred Stock being converted (i) a share of our Series B Preferred Stock, or, solely with respect to conversions in connection with a redemption, cash and (ii) shares of our common stock, if any, in respect of any conversion value in excess of the liquidation preference of the preferred stock being converted. The conversion rate was initially 31.5428 shares of common stock per one share of Series A Preferred Stock, which was equivalent to an initial conversion price of approximately $31.70 per share of common stock. As of March 31, 2022, due to customary anti-dilution provisions, the conversion rate was 31.5536, equivalent to a conversion price of approximately $31.69 per share of common stock. The Series A Preferred Stock and the 2024 Purchase Contracts are being accounted for as one unit of account. In calculating diluted EPS, the Company has applied the if-converted method to determine the impact of the forward purchase feature and considered if there are incremental shares that should be included related to the Series A Preferred conversion value.

19. RISKS AND UNCERTAINTIES

COVID-19 Pandemic — The COVID-19 pandemic has severely impacted global economic activity, including electricity and energy consumption, and caused significant volatility and negative pressure in financial markets. The magnitude and duration of the COVID-19 pandemic is unknown at this time and may have material and adverse effects on our results of operations, financial condition, and cash flows in future periods.

Alto Maipo — On August 27, 2021, Alto Maipo updated its creditors with respect to the construction budget and long-term business plan for the project, which considers different scenarios for spot prices, decarbonization initiatives, and hydrological conditions, among other significant variables. Under some of these scenarios, Alto Maipo may experience reduced future cash flows, which would limit its ability to repay debt. Alto Maipo's management initiated negotiations with its creditors to restructure its obligations and achieve a sustainable long-term capital structure for Alto Maipo. On November 17, 2021, Alto Maipo SpA commenced a reorganization proceeding in accordance with Chapter 11 of the U.S. Bankruptcy Code, through a voluntary petition. Consequently, after the Chapter 11 filing, the Company is no longer considered to have control over Alto Maipo, which resulted in its deconsolidation. The Company recognized an after-tax loss of approximately $1.2 billion, net of noncontrolling interests, in the Consolidated Statement of Operations in the fourth quarter of 2021, associated with the loss of control attributable to the former controlling interest.

Alto Maipo is party to a restructuring support agreement to which holders of more than 78% of the outstanding senior indebtedness are party, and which contemplates a plan of reorganization in which AES Andes will own all of the equity of the reorganized company. If Alto Maipo is unable to renegotiate the terms of its financial arrangements with its creditors and is unable to meet its obligations under those arrangements as they come due, the creditors may enforce their rights under the credit agreements. These finance agreements are non-recourse with respect to The AES Corporation.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The condensed consolidated financial statements included in Item 1.—*Financial Statements* of this Form 10-Q and the discussions contained herein should be read in conjunction with our 2021 Form 10-K.

Forward-Looking Information

The following discussion may contain forward-looking statements regarding us, our business, prospects and our results of operations, including our expectations regarding the impact of the COVID-19 pandemic on our business, that are subject to certain risks and uncertainties posed by many factors and events that could cause our actual business, prospects and results of operations to differ materially from those that may be anticipated by such forward-looking statements. These statements include, but are not limited to, statements regarding management's intents, beliefs, and current expectations and typically contain, but are not limited to, the terms "anticipate," "potential," "expect," "forecast," "target," "will," "would," "intend," "believe," "project," "estimate," "plan," and similar words. Forward-looking statements are not intended to be a guarantee of future results, but instead constitute current expectations based on reasonable assumptions. Factors that could cause or contribute to such differences include, but are not limited to, those described in Item 1A.—*Risk Factors* of this Form 10-Q, Item 1A.—*Risk Factors* and Item 7.—*Management's Discussion and Analysis of Financial Condition and Results of Operations* of our 2021 Form 10-K and subsequent filings with the SEC.

Readers are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date of this report. We undertake no obligation to revise any forward-looking statements in order to reflect events or circumstances that may subsequently arise. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements. Readers are urged to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the SEC that advise of the risks and factors that may affect our business.

Overview of Our Business

We are a diversified power generation and utility company organized into the following four market-oriented SBUs: **US and Utilities** (United States, Puerto Rico and El Salvador); **South America** (Chile, Colombia, Argentina and Brazil); **MCAC** (Mexico, Central America and the Caribbean); and **Eurasia** (Europe and Asia). For additional information regarding our business, see Item 1.—*Business* of our 2021 Form 10-K.

We have two lines of business: generation and utilities. Each of our SBUs participates in our first business line, generation, in which we own and/or operate power plants to generate and sell power to customers, such as utilities, industrial users, and other intermediaries. Our US and Utilities SBU participates in our second business line, utilities, in which we own and/or operate utilities to generate or purchase, distribute, transmit and sell electricity to end-user customers in the residential, commercial, industrial, and governmental sectors within a defined service area. In certain circumstances, our utilities also generate and sell electricity on the wholesale market.

Executive Summary

Compared with last year, first quarter diluted earnings per share from continuing operations increased $0.38, from a loss of $0.22 to earnings of $0.16. This increase reflects lower impairments in the current period, partially offset by prior year net gains from early contract terminations at Angamos, higher income tax expense, the prior year impact of realized gains on de-designated interest rate swaps, and the prior year gain on remeasurement of our interest in sPower's development platform.

Adjusted EPS, a non-GAAP measure, decreased $0.07 to $0.21, mainly due to the prior year impact of realized gains on de-designated interest rate swaps and lower contributions from our MCAC SBU, partially offset by higher contributions from our South America SBU and newly operational projects at our U.S. renewables businesses.

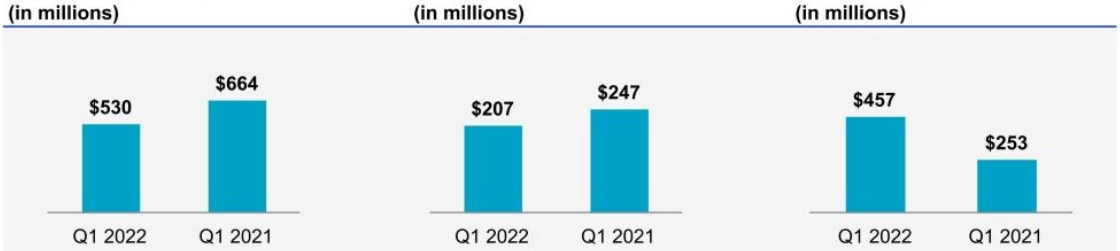
Accelerating the future of energy, together.

Business Overview

126 Generation Facilities	6 Utility Companies
31,370 Gross MW	31,794 GWH [2]

Three Months Ended March 31,	2022	2021
Diluted earnings (loss) per share	$ 0.16	$(0.22)
Adjusted EPS [1]	0.21	0.28

Operating Margin
(in millions)



Adjusted PTC [1]
(in millions)

Operating Cash Flow
(in millions)

Key events in 2022

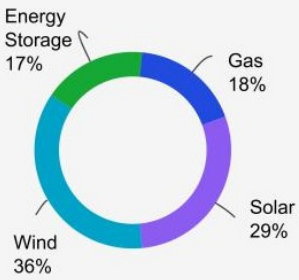
- Signed or awarded PPAs for 1,087 MW of renewables
- With investment grade credit rating from Moody's, attained investment grade ratings from all three major agencies

Strategic outlook

- Backlog of 10,307 MW of projects under signed long-term PPAs
- Sign 4.5-5.5 GW of renewable PPAs in 2022
- Intent to exit coal by year-end 2025

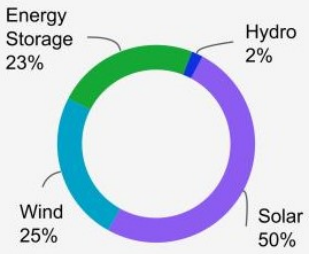
Under construction

3,735 MW



Contracted renewable backlog

6,572 MW



[1] See Item 2.—*Management's Discussion and Analysis of Financial Condition and Results of Operations—SBU Performance Analysis—Non-GAAP Measures* for reconciliation and definition.

[2] GWh sold in 2021.

Overview of Strategic Performance

AES is leading the industry's transition to clean energy by investing in clean power growth and innovative technology businesses. The Company is well-positioned to benefit from very favorable trends in clean power generation, distribution, and supporting technologies.

- In the first quarter of 2022, the Company signed or was awarded 1,087 MW of renewables and energy storage under long-term PPAs, primarily including 1,019 MW of solar and energy storage in the U.S.
- The Company's backlog is now 10,307 MW expected to be completed through 2025, including:
  - 3,735 MW under construction; and
  - 6,572 MW of renewable energy projects signed under long-term PPAs.

Review of Consolidated Results of Operations (Unaudited)

	Three Months Ended March 31,			
(in millions, except per share amounts)	2022	2021	$ change	% change
Revenue:				
US and Utilities SBU	$ 1,117	$ 949	$ 168	18 %
South America SBU	810	884	(74)	-8 %
MCAC SBU	566	535	31	6 %
Eurasia SBU	368	270	98	36 %
Corporate and Other	23	24	(1)	-4 %
Eliminations	(32)	(27)	(5)	-19 %
Total Revenue	2,852	2,635	217	8 %
Operating Margin:				
US and Utilities SBU	130	107	23	21 %
South America SBU	204	352	(148)	-42 %
MCAC SBU	82	122	(40)	-33 %
Eurasia SBU	87	59	28	47 %
Corporate and Other	47	32	15	47 %
Eliminations	(20)	(8)	(12)	NM
Total Operating Margin	530	664	(134)	-20 %
General and administrative expenses	(52)	(46)	(6)	13 %
Interest expense	(258)	(190)	(68)	36 %
Interest income	75	68	7	10 %
Loss on extinguishment of debt	(6)	(1)	(5)	NM
Other expense	(12)	(16)	4	-25 %
Other income	6	43	(37)	-86 %
Gain (loss) on disposal and sale of business interests	1	(5)	6	NM
Asset impairment expense	(1)	(473)	472	-100 %
Foreign currency transaction losses	(19)	(35)	16	-46 %
Income tax expense	(60)	(8)	(52)	NM
Net equity in losses of affiliates	(33)	(30)	(3)	10 %
INCOME (LOSS) FROM CONTINUING OPERATIONS	171	(29)	200	NM
Less: Income from continuing operations attributable to noncontrolling interests and redeemable stock of subsidiaries	(56)	(119)	63	-53 %
NET INCOME (LOSS) ATTRIBUTABLE TO THE AES CORPORATION	$ 115	$ (148)	$ 263	NM
Net cash provided by operating activities	$ 457	$ 253	$ 204	81 %

Components of Revenue, Cost of Sales, and Operating Margin — Revenue includes revenue earned from the sale of energy from our utilities and the production and sale of energy from our generation plants, which are classified as regulated and non-regulated, respectively, on the Condensed Consolidated Statements of Operations. Revenue also includes the gains or losses on derivatives associated with the sale of electricity.

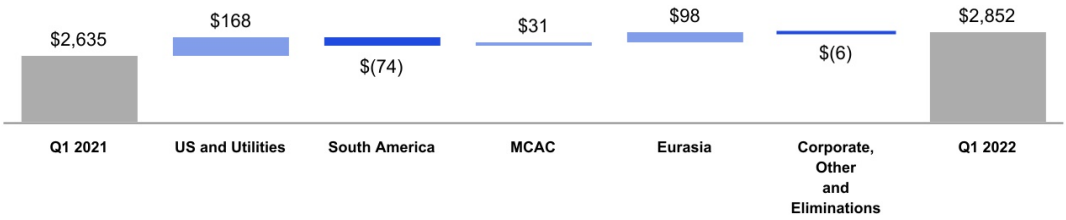
Cost of sales includes costs incurred directly by the businesses in the ordinary course of business. Examples include electricity and fuel purchases, operations and maintenance costs, depreciation and amortization expenses, bad debt expense and recoveries, and general administrative and support costs (including employee-related costs directly associated with the operations of the business). Cost of sales also includes the gains or losses on derivatives (including embedded derivatives other than foreign currency embedded derivatives) associated with the purchase of electricity or fuel.

Operating margin is defined as revenue less cost of sales.

Consolidated Revenue and Operating Margin

Three Months Ended March 31, 2022

Revenue
(in millions)

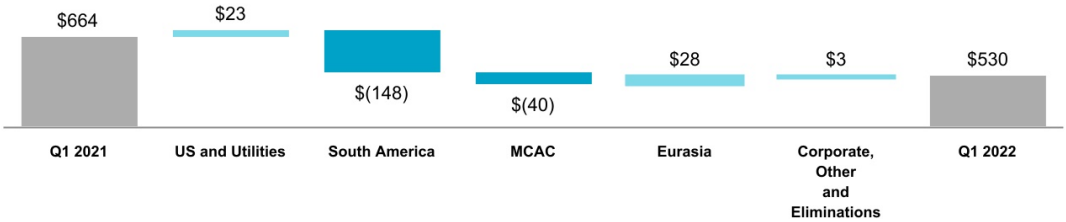


Consolidated Revenue — Revenue increased $217 million, or 8%, for the three months ended March 31, 2022, compared to the three months ended March 31, 2021, driven by:

- $168 million in US and Utilities mainly driven by higher volume at AES Indiana and AES Ohio due to increased demand and favorable weather; higher pass-through energy prices in El Salvador; a decrease in unrealized losses resulting from the commercial hedging strategy at Southland; and higher sales at AES Clean Energy due to the supply agreement with Google; partially offset by an increase in unrealized commodity derivative losses at AES Clean Energy;
- $98 million in Eurasia mainly driven by higher energy prices and generation in Bulgaria and recognition of construction revenue at Mong Duong due to a reduction in expected completion costs for ash pond 2; partially offset by unfavorable FX impact; and
- $31 million in MCAC driven by higher LNG prices and sales in the Dominican Republic and higher spot sales in Panama; partially offset by the impact from the sale of Itabo in April 2021.

These favorable impacts were partially offset by a decrease of $74 million in South America primarily driven by revenue recognized at Angamos in the prior year for the early termination of contracts with Minera Escondida and Minera Spence; partially offset by higher generation and prices (Resolution 440/2021) in Argentina; higher energy prices in Chile and Colombia; and higher volume and generation at AES Brasil.

Operating Margin
(in millions)



Consolidated Operating Margin — Operating margin decreased $134 million, or 20%, for the three months ended March 31, 2022, compared to the three months ended March 31, 2021, driven by:

- $148 million in South America primarily driven by revenue recognized at Angamos in the prior year for the early termination of contracts with Minera Escondida and Minera Spence; a prior period GSF settlement and higher fixed costs at Tietê; and unfavorable FX impact; partially offset by higher energy prices in Colombia and lower depreciation of coal assets in Chile; and

- $40 million in MCAC primarily driven by higher net energy spot purchases due to drier hydrology in Panama; higher spot purchases in the Dominican Republic; and by the impact from the sale of Itabo in April 2021; partially offset by higher energy sales in Panama and the Dominican Republic, partially due to increased demand.

These unfavorable impacts were partially offset by a increase of:

- $28 million in Eurasia primarily driven by recognition of construction revenue at Mong Duong due to a reduction in expected completion costs for ash pond 2, and by higher electricity prices at Kavarna in Bulgaria; and
- $23 million in US and Utilities mainly driven by a decrease in unrealized losses resulting from the commercial hedging strategy at Southland; higher volume at AES Indiana due to increased demand and favorable weather; and higher sales at AES Clean Energy due to the supply agreement with Google; partially offset by unrealized commodity derivative losses and an increase in costs associated with growing and accelerating the development pipeline at AES Clean Energy.

See Item 2.—*Management's Discussion and Analysis of Financial Condition and Results of Operations—SBU Performance Analysis* of this Form 10-Q for additional discussion and analysis of operating results for each SBU.

Consolidated Results of Operations — Other

General and administrative expenses

General and administrative expenses increased $6 million, or 13%, to $52 million for the three months ended March 31, 2022, compared to $46 million for the three months ended March 31, 2021, primarily due to increased business development activity and people costs.

Interest expense

Interest expense increased $68 million, or 36%, to $258 million for the three months ended March 31, 2022, compared to $190 million for the three months ended March 31, 2021. This increase is primarily due to the prior year impact of realized gains on de-designated interest rate swaps, lower capitalized interest in construction projects in Chile, and increased borrowings at AES Brasil.

Interest income

Interest income increased $7 million, or 10%, to $75 million for the three months ended March 31, 2022, compared to $68 million for the three months ended March 31, 2021, primarily due to an increase in short-term investments at AES Brasil.

Other income and expense

Other income decreased $37 million, or 86%, to $6 million for the three months ended March 31, 2022, compared to $43 million for the three months ended March 31, 2021, primarily due to the prior year gain on remeasurement of our equity interest in the sPower development platform to its acquisition-date fair value, recognized as part of the merger to form AES Clean Energy Development.

Other expense decreased $4 million, or 25%, to $12 million for the three months ended March 31, 2022, compared to $16 million for the three months ended March 31, 2021, primarily due to a prior year loss recognized at commencement of a sales-type lease at AES Renewable Holdings.

See Note 14—*Other Income and Expense*, Note 6—*Investments in and Advances to Affiliates*, and Note 17—*Acquisitions* included in Item 1.—*Financial Statements* of this Form 10-Q for further information.

Asset impairment expense

Asset impairment expense decreased $472 million to $1 million for the three months ended March 31, 2022, compared to $473 million for the three months ended March 31, 2021. This decrease was due to a $475 million impairment at Puerto Rico in 2021 associated with the economic costs and reputational risks of disposal of coal combustion residuals off island.

See Note 15—*Asset Impairment Expense* included in Item 1.—*Financial Statements* of this Form 10-Q for further information.

Foreign currency transaction losses

(in millions)	Three Months Ended March 31, 2022	2021
Argentina	$ (13)	$ (41)
Chile	(10)	8
Other	4	(2)
Total [1]	$ (19)	$ (35)

[1] Includes losses of $56 million and $19 million on foreign currency derivative contracts for the three months ended March 31, 2022 and 2021, respectively. The current year derivative losses were primarily due to unrealized losses on a foreign currency hedge on debt issued in Brazilian reais. This is an effective hedge and there is no material net impact.

The Company recognized net foreign currency transaction losses of $19 million for the three months ended March 31, 2022, primarily due to unrealized losses on foreign currency derivatives related to government receivables in Argentina, unrealized losses due to depreciating receivables denominated in the Argentine peso, and unrealized losses on foreign currency derivatives in South America due to the appreciating Colombian peso in 2022.

The Company recognized net foreign currency transaction losses of $35 million for the three months ended March 31, 2021, primarily due to unrealized losses on foreign currency derivatives related to government receivables in Argentina, partially offset by unrealized gains on foreign currency derivatives in South America due to the depreciating Colombian peso.

Income tax expense

Income tax expense was $60 million for the three months ended March 31, 2022, compared to $8 million for the three months ended March 31, 2021. The Company's effective tax rates were 23% and 89% for the three months ended March 31, 2022 and 2021, respectively. This net decrease in the effective tax rate was primarily due to the impact of the prior year asset impairment at Puerto Rico.

See Note 15—*Asset Impairment Expense* included in Item 1.—*Financial Statements* of this Form 10-Q for details of the Puerto Rico asset impairment.

Our effective tax rate reflects the tax effect of significant operations outside the U.S., which are generally taxed at rates different than the U.S. statutory rate of 21%. Furthermore, our foreign earnings may be subjected to incremental U.S. taxation under the GILTI rules. A future proportionate change in the composition of income before income taxes from foreign and domestic tax jurisdictions could impact our periodic effective tax rate.

Net equity in losses of affiliates

Net equity in losses of affiliates increased $3 million, or 10%, to $33 million for the three months ended March 31, 2022, compared to $30 million for the three months ended March 31, 2021. This increase was driven by an increase in losses at Fluence of $30 million due to shipping issues, cost overruns and delays at projects under construction, and an increase in costs, including share-based compensation, associated with the growing business. These losses were partially offset by a $27 million increase in earnings at sPower driven by renewable projects that came online.

See Note 6—*Investments in and Advances to Affiliates* included in Item 1.—*Financial Statements* of this Form 10-Q for further information.

Net income attributable to noncontrolling interests and redeemable stock of subsidiaries

Net income attributable to noncontrolling interests and redeemable stock of subsidiaries decreased $63 million, or 53%, to $56 million for the three months ended March 31, 2022, compared to $119 million for the three months ended March 31, 2021. This decrease was primarily due to:

- Prior year net gains from early contract terminations at Angamos;
- Lower earnings from AES Andes due to increased AES ownership from 67% to 99% in the first quarter of 2022; and
- Lower contributions from Panama due to drier hydrology.

These decreases were partially offset by:

- Higher earnings from Vietnam due to changes in ash pond assumptions.

Net income (loss) attributable to The AES Corporation

Net income attributable to The AES Corporation increased $263 million, to income of $115 million for the three months ended March 31, 2022, compared to a loss of $148 million for the three months ended March 31, 2021. This increase was primarily due to:

- Prior year long-lived asset impairment at Puerto Rico.

This increase was partially offset by:

- Lower margins at our South America SBU due to prior year net gains from early contract terminations at Angamos;
- Higher income tax expense;
- Higher Parent interest expense due to prior year realized gains on de-designated interest rate swaps; and
- Prior year gain on remeasurement of our equity interest in the sPower development platform to acquisition-date fair value.

SBU Performance Analysis

Non-GAAP Measures

Adjusted Operating Margin, Adjusted PTC, and Adjusted EPS are non-GAAP supplemental measures that are used by management and external users of our condensed consolidated financial statements such as investors, industry analysts, and lenders.

For the year ended December 31, 2021, the Company updated the definition of Adjusted EPS item (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* to include the 2021 tax benefit on reversal of uncertain tax positions effectively settled upon the closure of the Company's 2017 U.S. tax return exam.

Effective January 1, 2021, the Company changed the definitions of Adjusted Operating Margin, Adjusted PTC, and Adjusted EPS to remove the adjustment for costs directly associated with a major restructuring program, including, but not limited to, workforce reduction efforts, relocations, and office consolidation. As this adjustment was specific to the major restructuring program announced by the Company in 2018, we believe removing this adjustment from our non-GAAP definitions provides simplification and clarity for our investors.

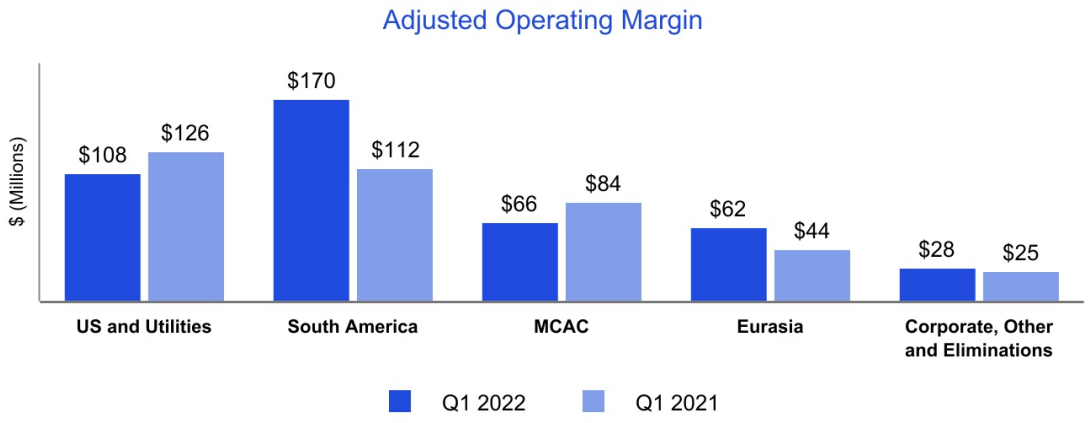
Adjusted Operating Margin

We define Adjusted Operating Margin as Operating Margin, adjusted for the impact of NCI, excluding (a) unrealized gains or losses related to derivative transactions; (b) benefits and costs associated with dispositions and acquisitions of business interests, including early plant closures; and (c) 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. The allocation of HLBV earnings to noncontrolling interests is not adjusted out of Adjusted Operating Margin. See *Review of Consolidated Results of Operations* for the definition of Operating Margin.

The GAAP measure most comparable to Adjusted Operating Margin is *Operating Margin*. We believe that Adjusted Operating Margin better reflects the underlying business performance of the Company. Factors in this determination include the impact of NCI, where AES consolidates the results of a subsidiary that is not wholly owned by the Company, as well as the variability due to unrealized gains or losses related to derivative transactions and strategic decisions to dispose of or acquire business interests. Adjusted Operating Margin should not be construed as an alternative to *Operating Margin*, which is determined in accordance with GAAP.

	Three Months Ended March 31,	
Reconciliation of Adjusted Operating Margin (in millions)	**2022**	**2021**
Operating Margin	$ 530	$ 664
Noncontrolling interests adjustment [1]	(92)	(209)
Unrealized derivative (gains) losses	(3)	44
Disposition/acquisition losses (gains)	(1)	2
Net gains from early contract terminations at Angamos	—	(110)
Total Adjusted Operating Margin	$ 434	$ 391

[1] The allocation of HLBV earnings to noncontrolling interests is not adjusted out of Adjusted Operating Margin.



Adjusted PTC

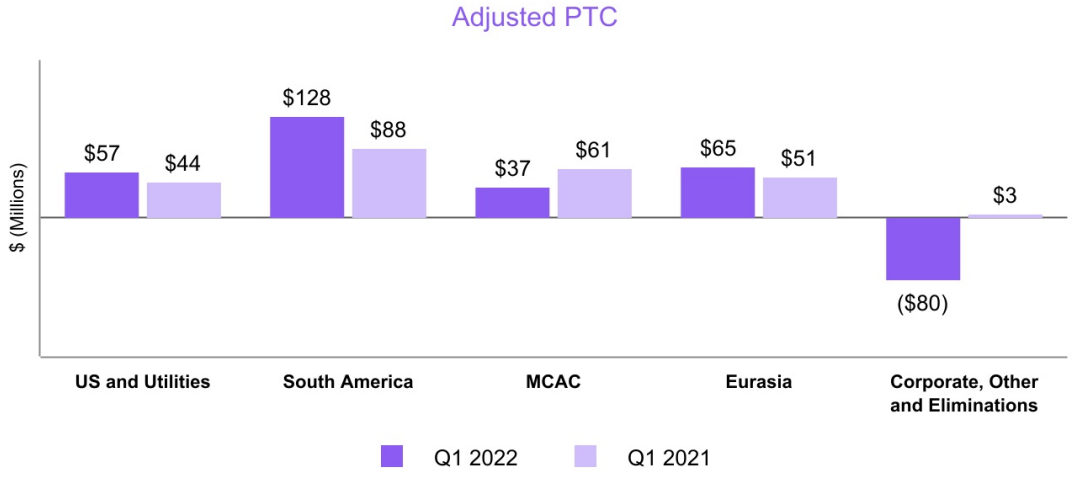
We define Adjusted PTC as pre-tax income from continuing operations attributable to The AES Corporation excluding gains or losses of the consolidated entity due to (a) unrealized gains or losses related to derivative transactions and equity securities; (b) unrealized foreign currency gains or losses; (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. Adjusted PTC also includes net equity in earnings of affiliates on an after-tax basis adjusted for the same gains or losses excluded from consolidated entities.

Adjusted PTC reflects the impact of NCI and excludes the items specified in the definition above. In addition to the revenue and cost of sales reflected in Operating Margin, Adjusted PTC includes the other components of our income statement, such as *general and administrative expenses* in Corporate and Other, as well as business development costs, *interest expense* and *interest income, other expense* and *other income, realized foreign currency transaction gains and losses,* and *net equity in earnings of affiliates*.

The GAAP measure most comparable to Adjusted PTC is *income from continuing operations attributable to The AES Corporation*. We believe that Adjusted PTC better reflects the underlying business performance of the Company and is the most relevant measure considered in the Company's internal evaluation of the financial performance of its segments. Factors in this determination include the variability due to unrealized gains or losses related to derivative transactions or equity securities remeasurement, unrealized foreign currency gains or losses, losses due to impairments, strategic decisions to dispose of or acquire business interests or retire debt, and the non-recurring nature of the impact of the early contract terminations at Angamos, which affect results in a given period or periods. In addition, earnings before tax represents the business performance of the Company before the application of statutory income tax rates and tax adjustments, including the effects of tax planning, corresponding to the various jurisdictions in which the Company operates. Given its large number of businesses and complexity, the Company concluded that Adjusted PTC is a more transparent measure that better assists investors in determining which businesses have the greatest impact on the Company's results.

Adjusted PTC should not be construed as an alternative to *income from continuing operations attributable to The AES Corporation*, which is determined in accordance with GAAP.

Reconciliation of Adjusted PTC (in millions)	Three Months Ended March 31, 2022	2021
Income (loss) from continuing operations, net of tax, attributable to The AES Corporation	$ 115	$ (148)
Income tax expense (benefit) from continuing operations attributable to The AES Corporation	50	(36)
Pre-tax contribution	165	(184)
Unrealized derivative and equity securities losses	41	69
Unrealized foreign currency losses (gains)	(19)	6
Disposition/acquisition losses (gains)	9	(15)
Impairment losses	1	475
Loss on extinguishment of debt	10	6
Net gains from early contract terminations at Angamos	—	(110)
Total Adjusted PTC	$ 207	$ 247



Adjusted EPS

We define Adjusted EPS 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, including the 2021 tax benefit on reversal of uncertain tax positions effectively settled upon the closure of the Company's U.S. tax return exam.

The GAAP measure most comparable to Adjusted EPS is *diluted earnings per share from continuing operations*. We believe that Adjusted EPS better reflects the underlying business performance of the Company and is considered in the Company's internal evaluation of financial performance. Factors in this determination include the variability due to unrealized gains or losses related to derivative transactions or equity securities remeasurement, unrealized foreign currency gains or losses, losses due to impairments, strategic decisions to dispose of or acquire business interests or retire debt, the one-time impact of the 2017 U.S. tax law reform and subsequent period adjustments related to enactment effects, and the non-recurring nature of the impact of the early contract terminations at Angamos, which affect results in a given period or periods.

Adjusted EPS should not be construed as an alternative to *diluted earnings per share from continuing operations*, which is determined in accordance with GAAP.

Reconciliation of Adjusted EPS	Three Months Ended March 31, 2022		Three Months Ended March 31, 2021	
Diluted earnings (loss) per share from continuing operations	$ 0.16		$ (0.22)	
Unrealized derivative and equity securities losses	0.06	(1)	0.10	(2)
Unrealized foreign currency losses (gains)	(0.02)	(3)	0.01	
Disposition/acquisition losses (gains)	0.01		(0.02)	(4)
Impairment losses	—		0.71	(5)
Loss on extinguishment of debt	0.01		0.01	
Net gains from early contract terminations at Angamos	—		(0.16)	(6)
Less: Net income tax benefit	(0.01)		(0.15)	(7)
Adjusted EPS	$ 0.21		$ 0.28	

(1) Amount primarily relates to unrealized commodity derivative losses at New York Wind of $20 million, or $0.03 per share, and unrealized foreign currency derivative losses in Brazil of $20 million, or $0.03 per share.

(2) Amount primarily relates to unrealized derivative losses in Argentina mainly associated with foreign currency derivatives on government receivables of $38 million, or $0.06 per share, and net unrealized derivative losses on power and commodities swaps at Southland of $33 million, or $0.05 per share.

(3) Amount primarily relates to unrealized FX gains in Brazil of $22 million, or $0.03 per share, mainly associated with debt denominated in Brazilian reais.

(4) Amount primarily relates to gain on remeasurement of our equity interest in sPower to acquisition-date fair value of $36 million, or $0.05 per share, partially offset by day-one loss recognized at commencement of a sales-type lease at AES Renewable Holdings of $13 million, or $0.02 per share.

(5) Amount primarily relates to asset impairment at Puerto Rico of $475 million, or $0.71 per share.

(6) 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.

(7) Amount primarily relates to income tax benefits associated with the impairment at Puerto Rico of $119 million, or $0.18 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 $28 million, or $0.04 per share.

US and Utilities SBU

The following table summarizes Operating Margin, Adjusted Operating Margin and Adjusted PTC (in millions) for the periods indicated:

	Three Months Ended March 31, 2022	2021	$ Change	% Change
Operating Margin	$ 130	$ 107	$ 23	21 %
Adjusted Operating Margin [1]	108	126	(18)	-14 %
Adjusted PTC [1]	57	44	13	30 %

(1) A non-GAAP financial measure, adjusted for the impact of NCI. See *SBU Performance Analysis—Non-GAAP Measures* for definition and Item 1.—*Business* included in our 2021 Form 10-K for the respective ownership interest for key businesses.

Operating Margin for the three months ended March 31, 2022 increased $23 million, or 21%, which was driven primarily by the following (in millions):

Increase at Southland primarily due to lower unrealized losses from commodity derivatives under the commercial hedging strategy, as well as a decrease in realized derivative losses	$ 44
Increase at AES Indiana driven by higher volumes from increased demand and favorable weather	10
Decrease at AES Clean Energy driven by unrealized commodity derivative losses and increased costs associated with growing and accelerating the development pipeline, partially offset by higher revenue due to the Company's agreement to supply Google's data centers with 24/7 carbon-free energy	(32)
Other	1
Total US and Utilities SBU Operating Margin Increase	**$ 23**

Adjusted Operating Margin decreased $18 million primarily due to the drivers above, adjusted for NCI and unrealized losses on derivatives.

Adjusted PTC increased $13 million, primarily driven by an increase at our U.S. renewables businesses due to contributions from newly operational projects and a lower allocation of interest expense attributable to AES after the sale of noncontrolling interests at Southland Energy, partially offset by the decrease in Adjusted Operating Margin described above.

South America SBU

The following table summarizes Operating Margin, Adjusted Operating Margin and Adjusted PTC (in millions) for the periods indicated:

	Three Months Ended March 31,			
	2022	2021	$ Change	% Change
Operating Margin	$ 204	$ 352	$ (148)	-42 %
Adjusted Operating Margin [1]	170	112	58	52 %
Adjusted PTC [1]	128	88	40	45 %

[1] A non-GAAP financial measure, adjusted for the impact of NCI. See *SBU Performance Analysis—Non-GAAP Measures* for definition and Item 1.—*Business* included in our 2021 Form 10-K for the respective ownership interest for key businesses. In the first quarter of 2022, AES' indirect beneficial interest in AES Andes increased from 67% to 99%. See Note 11—*Equity* included in Item 1.—Financial Statements of this Form 10-Q for further information.

Operating Margin for the three months ended March 31, 2022 decreased $148 million, or 42%, which was driven primarily by the following (in millions):

Decrease in Chile primarily driven by prior year revenue recognized on early contract terminations at Angamos, partially offset by lower depreciation of coal assets	$ (144)
Decrease in Brazil primarily driven by prior year GSF gain and higher fixed costs	(12)
Increase in Colombia mainly related to increase in contract prices, partially offset by depreciation of the Colombian peso	9
Other	(1)
Total South America SBU Operating Margin Decrease	**$ (148)**

Adjusted Operating Margin increased $58 million due to the drivers above, adjusted for NCI and net gains on early contract terminations at Angamos in the prior year.

Adjusted PTC increased $40 million, primarily associated with the increase in Adjusted Operating Margin described above, partially offset by lower capitalized interest at construction projects in Chile.

MCAC SBU

The following table summarizes Operating Margin, Adjusted Operating Margin and Adjusted PTC (in millions) for the periods indicated:

	Three Months Ended March 31,			
	2022	2021	$ Change	% Change
Operating Margin	$ 82	$ 122	$ (40)	-33 %
Adjusted Operating Margin [1]	66	84	(18)	-21 %
Adjusted PTC [1]	37	61	(24)	-39 %

[1] A non-GAAP financial measure, adjusted for the impact of NCI. See *SBU Performance Analysis—Non-GAAP Measures* for definition and Item 1.—*Business* included in our 2021 Form 10-K for the respective ownership interest for key businesses.

Operating Margin for the three months ended March 31, 2022 decreased $40 million, or 33%, which was driven primarily by the following (in millions):

Decrease in Panama mainly driven by higher energy spot purchases due to drier hydrology in Q1 2022, partially offset by higher spot sales at Colon due to an increase in prices	$ (22)
Decrease in the Dominican Republic mainly driven by the sale of Itabo on April 8, 2021	(18)
Decrease in Mexico driven by lower availability in 2022	(5)
Increase in the Dominican Republic due to unrealized gains on LNG derivatives and higher demand, partially offset by higher energy spot purchases	7
Other	(2)
Total MCAC SBU Operating Margin Decrease	**$ (40)**

Adjusted Operating Margin decreased $18 million due to the drivers above, adjusted for NCI and unrealized gains on LNG derivatives.

Adjusted PTC decreased $24 million, mainly driven by the decrease in Adjusted Operating Margin described above and a higher allocation of interest expense attributable to AES after Colon's noncontrolling interest buyout in September 2021.

Eurasia SBU

The following table summarizes Operating Margin, Adjusted Operating Margin and Adjusted PTC (in millions) for the periods indicated:

	Three Months Ended March 31,			
	2022	2021	$ Change	% Change
Operating Margin	$ 87	$ 59	$ 28	47 %
Adjusted Operating Margin [1]	62	44	18	41 %
Adjusted PTC [1]	65	51	14	27 %

[1] A non-GAAP financial measure, adjusted for the impact of NCI. See *SBU Performance Analysis—Non-GAAP Measures* for definition and Item 1.—*Business* included in our 2021 Form 10-K for the respective ownership interest for key businesses.

Operating Margin for the three months ended March 31, 2022 increased $28 million, or 47%, which was driven primarily by the following (in millions):

Construction revenue for Mong Duong driven by a reduction in expected completion costs for ash pond 2	$ 19
Higher merchant prices captured by Kavarna	8
Other	1
Total Eurasia SBU Operating Margin Increase	**$ 28**

Adjusted Operating Margin increased $18 million due to the drivers above, adjusted for NCI.

Adjusted PTC increased $14 million, mainly driven by the increase in Adjusted Operating Margin described above, partially offset by higher interest expense.

Key Trends and Uncertainties

During the remainder of 2022 and beyond, we expect to face the following challenges at certain of our businesses. Management expects that improved operating performance at certain businesses, growth from new businesses, and global cost reduction initiatives may lessen or offset their impact. If these favorable effects do not occur, or if the challenges described below and elsewhere in this section impact us more significantly than we currently anticipate, or if volatile foreign currencies and commodities move more unfavorably, then these adverse factors (or other adverse factors unknown to us) may have a material impact on our operating margin, net income attributable to The AES Corporation, and cash flows. We continue to monitor our operations and address challenges as they arise. For the risk factors related to our business, see Item 1.—*Business* and Item 1A.—*Risk Factors* of our 2021 Form 10-K.

Operational

COVID-19 Pandemic — The COVID-19 pandemic has impacted global economic activity, including electricity and energy consumption, and caused significant volatility in financial markets. Throughout the COVID-19 pandemic we have conducted our essential operations without significant disruption. We derive approximately 85% of our total revenues from our regulated utilities and long-term sales and supply contracts or PPAs at our generation businesses, which contributes to a relatively stable revenue and cost structure at most of our businesses. In 2021, our operational locations continued to experience the impact of, and recovery from, the COVID-19 pandemic. Across our global portfolio, our utilities businesses have generally performed in line with our expectations consistent with a recovery from the COVID-19 pandemic. While we cannot predict the length and magnitude of the pandemic, including the impact of current or future variants, or how it could impact global economic conditions, a delayed recovery with respect to demand may adversely impact our financial results for 2022. Also see Item 1A.—*Risk Factors* of our 2021 Form 10-K.

We continue to monitor and manage our credit exposures in a prudent manner. Our credit exposures have continued in-line with historical levels and within the customary 45-60 day grace period. We have not experienced any material credit-related impacts from our PPA offtakers due to the COVID-19 pandemic.

Our supply chain management has remained robust during this challenging time and we continue to closely manage and monitor developments. We continue to experience certain minor delays in some of our development projects, primarily in permitting processes and the implementation of interconnections, due to governments and other authorities having limited capacity to perform their functions.

Trade Restrictions and Supply Chain — On March 29, 2022, the U.S. Department of Commerce (“Commerce”) announced the initiation of an investigation into whether imports into the U.S. of solar cells and

panels imported from Cambodia, Malaysia, Thailand, and Vietnam are circumventing antidumping and countervailing duty orders on solar cells and panels from China. This investigation has resulted in significant systemic disruptions to the import of solar panels from Southeast Asia and such disruption could continue for the near-term or longer if Commerce makes a preliminary determination that circumvention has occurred.

While we have contracted and substantially secured our expected requirements for solar panels for U.S. projects targeted to achieve commercial operations in 2022, these disruptions may persist and impact our suppliers' ability or willingness to meet their contractual agreements or to continue to supply panels into the U.S. market on terms that we deem satisfactory. The ultimate severity or duration of the solar panel supply chain disruption or its effect on AES' U.S. solar project development and construction activities is uncertain. AES will continue to monitor developments and take prudent steps towards maintaining a robust supply chain for our renewables projects.

Macroeconomic and Political

During the past few years, some countries where our subsidiaries conduct business have experienced macroeconomic and political changes. In the event these trends continue, there could be an adverse impact on our businesses.

Puerto Rico — As discussed in Item 7—*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Trends and Uncertainties* of the 2021 Form 10-K, our subsidiaries in Puerto Rico have a long-term PPA with state-owned PREPA, which has been facing economic challenges that could result in a material adverse effect on our business in Puerto Rico. Despite the Title III protection, PREPA has been making substantially all of its payments to the generators in line with historical payment patterns.

AES Puerto Rico and AES Ilumina's non-recourse debt of $195 million and $28 million, respectively, continue to be in technical default and are classified as current as of March 31, 2022 as a result of PREPA's bankruptcy filing in July 2017. The Company is in compliance with its debt payment obligations as of March 31, 2022.

On April 12, 2022, a mediation team was appointed to prepare the plan to resolve the PREPA Title III case and related proceedings, which is expected to conclude no later than July 2022.

Considering the information available as of the filing date, management believes the carrying amount of our long-lived assets in Puerto Rico of $85 million is recoverable as of March 31, 2022.

Reference Rate Reform — As discussed in Item 7—*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Trends and Uncertainties* of the 2021 Form 10-K, in July 2017, the UK Financial Conduct Authority announced that it intends to phase out LIBOR by the end of 2021. In the U.S., the Alternative Reference Rate Committee at the Federal Reserve identified the Secured Overnight Financing Rate ("SOFR") as its preferred alternative rate for LIBOR; alternative reference rates in other key markets are under development. The ICE Benchmark Association ("IBA") has determined that it will cease publication of one-week and two-month LIBOR rates by December 31, 2021, and will cease publication of the one-month, three-month, six-month, and 12-month USD LIBOR rates by June 30, 2023. AES holds a substantial amount of debt and derivative contracts referencing LIBOR as an interest rate benchmark. In order to facilitate an organized transition from LIBOR to alternative benchmark rate(s), AES has established a process to measure and mitigate risks associated with the cessation of LIBOR. As part of this initiative, alternative benchmark rates have been, and continue to be, assessed, and implemented for newly executed agreements. Many of AES' existing agreements include provisions designed to facilitate an orderly transition from LIBOR, and interest rate derivatives address the LIBOR transition through the adoption of the ISDA 2020 IBOR Fallbacks Protocol and subsequent amendments. To the extent that the terms of the credit agreements and derivative instruments do not align following the cessation of LIBOR rates, AES will seek to negotiate contract amendments with counterparties or additional derivatives contracts.

Global Tax — The macroeconomic and political environments in the U.S. and in some countries where our subsidiaries conduct business have changed during 2021 and 2022. This could result in significant impacts to tax law. For example, in the first quarter of 2022, the Biden Administration released its fiscal year 2023 budget, which includes proposed U.S. corporate and international tax reform proposals that would increase the U.S. corporate income tax rate and GILTI tax rate, replace BEAT with rules in line with OECD Pillar 2 Model Rules, eliminate tax preferences for fossil fuels, among others. Additional details regarding these potential changes in law are expected to be made available later this year.

With respect to international tax reform, in the first quarter of 2022, the European Commission published an amended draft Directive on Pillar 2 which includes numerous amendments compared to the version published in the fourth quarter of 2021. The potential impact to the Company remains unknown, but may be material.

Implementation of the framework would require multilateral agreement and/or country specific legislative action, including in the U.S. See Management's Discussion and Analysis of Financial Condition and Results of Operations of our 2021 Form 10-K for further information on this proposed legislation.

Inflation — In the markets in which we operate, there have been higher rates of inflation in recent months. While most of our contracts in our international businesses are indexed to inflation, in general, our U.S.-based generation contracts are not indexed to inflation. If inflation continues to increase in our markets, it may increase our expenses that we may not be able to pass through to customers. It may also increase the costs of some of our development projects that could negatively impact their competitiveness. Our utility businesses do allow for recovering of operations and maintenance costs through the regulatory process, which may have timing impacts on recovery.

Alto Maipo

The Company's subsidiary, Alto Maipo, is currently constructing a hydroelectric facility near Santiago, Chile which is approximately 99% complete and started generating energy in the fourth quarter of 2021 as part of the commissioning process. The Alto Maipo project (the "Project") has experienced significant construction difficulties, which resulted in a substantial increase in project costs over the original budget and led to a series of negotiations that resulted in securing additional funding from creditors and additional equity injections from AES Andes. See Item 7—*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Trends and Uncertainties* of the 2021 Form 10-K for further information.

On November 17, 2021, Alto Maipo SpA commenced a reorganization proceeding in accordance with Chapter 11 of the U.S. Bankruptcy Code, through a voluntary petition. Consequently, after Chapter 11 filing, The AES Corporation is no longer considered to have control over Alto Maipo and, therefore, derecognized Alto Maipo from its Consolidated Balance Sheets and recognized an after-tax loss of approximately $1.2 billion, net of noncontrolling interests, in the Consolidated Statement of Operations in the fourth quarter of 2021, associated with the loss of control attributable to the former controlling interest.

Alto Maipo is party to a restructuring support agreement to which holders of more than 78% of the outstanding senior indebtedness are party, and which contemplates a plan of reorganization in which AES Andes will own all of the equity of the reorganized company. If Alto Maipo is unable to renegotiate the terms of its financial arrangements with its creditors and is unable to meet its obligations under those arrangements as they come due, the creditors may enforce their rights under the credit agreements. These finance agreements are non-recourse with respect to The AES Corporation.

Decarbonization Initiatives

Our strategy involves shifting towards clean energy platforms, including renewable energy, energy storage, LNG, and modernized grids. It is designed to position us for continued growth while reducing our carbon intensity and in support of our mission of accelerating the future of energy, together. In February 2022, we announced our intent to exit coal generation by year-end 2025, subject to necessary approvals.

In addition, initiatives have been announced by regulators, including in Chile, Puerto Rico, and Hawaii, and offtakers in recent years, with the intention of reducing GHG emissions generated by the energy industry. In parallel, the shift towards renewables has caused certain customers to migrate to other low-carbon energy solutions and this trend may continue.

Although we cannot currently estimate the financial impact of these decarbonization initiatives, new legislative or regulatory programs further restricting carbon emissions or other initiatives to voluntarily exit coal generation could require material capital expenditures, result in a reduction of the estimated useful life of certain coal facilities, or have other material adverse effects on our financial results.

For further information about the risks associated with decarbonization initiatives, see Item 1A.—Risk Factors—*Concerns about GHG emissions and the potential risks associated with climate change have led to increased regulation and other actions that could impact our businesses* included in the 2021 Form 10-K.

Regulatory

AES Maritza PPA Review — DG Comp is conducting a preliminary review of whether AES Maritza's PPA with NEK is compliant with the European Union's State Aid rules. No formal investigation has been launched by DG Comp to date. However, AES Maritza has been engaging in discussions with the DG Comp case team and the Government of Bulgaria ("GoB") to attempt to reach a negotiated resolution of DG Comp's review ("PPA

Discussions"). The PPA Discussions are ongoing and the PPA continues to remain in place. However, there can be no assurance that, in the context of the PPA Discussions, the other parties will not seek a prompt termination of the PPA.

We do not believe termination of the PPA is justified. Nevertheless, the PPA Discussions will involve a range of potential outcomes, including but not limited to the termination of the PPA and payment of some level of compensation to AES Maritza. Any negotiated resolution would be subject to mutually acceptable terms, lender consent, and DG Comp approval. At this time, we cannot predict the outcome of the PPA Discussions or when those discussions will conclude. Nor can we predict how DG Comp might resolve its review if the PPA Discussions fail to result in an agreement concerning the agency's review. AES Maritza believes that its PPA is legal and in compliance with all applicable laws, and it will take all actions necessary to protect its interests, whether through negotiated agreement or otherwise. However, there can be no assurance that this matter will be resolved favorably; if it is not, there could be a material adverse effect on the Company's financial condition, results of operations, and cash flows.

Considering the information available as of the filing date, management believes the carrying value of our long-lived assets at Maritza of approximately $916 million is recoverable as of March 31, 2022.

AES Ohio Distribution Rate Case — On November 30, 2020, AES Ohio filed a new distribution rate case with the PUCO that proposes a revenue increase of $120.8 million per year and incorporates the DIR investments that were planned and approved in the last rate case, but not yet included in distribution rates, other distribution investments since September 2015, and other investments and expenses. Certain parties that have intervened in the distribution rate case have argued that ESP 1 incorporates a distribution rate freeze. The rate case is pending a commission order and we are unable to predict the outcome at this time.

AES Indiana Integrated Resource Plan ("IRP") — AES Indiana held its first and second public advisory meetings for the 2022 IRP in January 2022 and April 2022, respectively. Changes to its generation portfolio are evaluated and decided through the IRP. AES Indiana issued an all-source Request for Proposal on April 14, 2022, in order to competitively procure replacement capacity; such need is being evaluated in AES Indiana's 2022 IRP.

Foreign Exchange Rates

We operate in multiple countries and as such are subject to volatility in exchange rates at varying degrees at the subsidiary level and between our functional currency, the USD, and currencies of the countries in which we operate. For additional information, refer to Item 3.—*Quantitative and Qualitative Disclosures About Market Risk*.

Environmental

The Company is subject to numerous environmental laws and regulations in the jurisdictions in which it operates. The Company faces certain risks and uncertainties related to these environmental laws and regulations, including existing and potential GHG legislation or regulations, and actual or potential laws and regulations pertaining to water discharges, waste management (including disposal of coal combustion residuals) and certain air emissions, such as SO_2, NO_x, particulate matter, mercury, and other hazardous air pollutants. Such risks and uncertainties could result in increased capital expenditures or other compliance costs which could have a material adverse effect on certain of our U.S. or international subsidiaries and our consolidated results of operations. For further information about these risks, see Item 1A.—*Risk Factors—Our operations are subject to significant government regulation and could be adversely affected by changes in the law or regulatory schemes; Several of our businesses are subject to potentially significant remediation expenses, enforcement initiatives, private party lawsuits and reputational risk associated with CCR; Our businesses are subject to stringent environmental laws, rules and regulations;* and *Concerns about GHG emissions and the potential risks associated with climate change have led to increased regulation and other actions that could impact our businesses* included in the 2021 Form 10-K.

CSAPR — CSAPR addresses the "good neighbor" provision of the CAA, which prohibits sources within each state from emitting any air pollutant in an amount which will contribute significantly to any other state's nonattainment, or interference with maintenance of, any NAAQS. The CSAPR required significant reductions in SO_2 and NO_x emissions from power plants in many states in which subsidiaries of the Company operate. The Company is required to comply with the CSAPR in certain states, including Indiana and Maryland. The CSAPR is implemented, in part, through a market-based program under which compliance may be achievable through the acquisition and use of emissions allowances created by the EPA. The Company complies with CSAPR through operation of existing controls and purchases of allowances on the open market, as needed.

In October 2016, the EPA published a final rule to update the CSAPR to address the 2008 ozone NAAQS

("CSAPR Update Rule"). The CSAPR Update Rule found that NO_x ozone season emissions in 22 states (including Indiana, Maryland, Ohio, and Pennsylvania) affected the ability of downwind states to attain and maintain the 2008 ozone NAAQS, and, accordingly, the EPA issued federal implementation plans that both updated existing CSAPR NO_x ozone season emission budgets for electric generating units within these states and implemented these budgets through modifications to the CSAPR NO_x ozone season allowance trading program. Implementation started in the 2017 ozone season (May-September 2017). Affected facilities receive fewer ozone season NO_x allowances in 2017 and later, possibly resulting in the need to purchase additional allowances. Additionally, on September 13, 2019, the D.C. Circuit remanded a portion of October 2016 CSAPR Update Rule to the EPA. On April 30, 2021, the EPA published a final rule to address the 2020 D.C. Circuit decision. The EPA is issuing new or amended federal implementation plans for 12 states, including Indiana, Maryland, Ohio, and Pennsylvania, with revised CSAPR NO_x ozone season emission budgets for electric generating units within these states via a new CSAPR NO_x Ozone Season Group 3 Trading Program. Implementation began during the 2021 ozone season (May-September 2021) with an effective date of June 29, 2021. AES Indiana facilities and AES Warrior Run in Maryland will receive fewer ozone season NO_x allowances for future NO_x Ozone Seasons beginning in 2021 and later, possibly resulting in the need to purchase additional allowances. In addition, subject sources in these states were required to surrender an equivalent number of previously allocated 2021-2024 Group 2 allowances by deadlines in 2021. This requirement applies inclusive of assets and allowances that have since been sold and/or retired, including former AES assets in Ohio and Pennsylvania. While AES no longer operates electric generating units subject to the revised CSAPR Update Rule in Ohio or Pennsylvania, certain prior AES sources in these states were required to surrender an equivalent number of previously allocated 2021-2024 Group 2 allowances and on July 14, 2021 the required allowances were recalled by the EPA, fulfilling this obligation.

On April 6, 2022, the EPA published a proposed Federal Implementation Plan to address air quality impacts with respect to the 2015 Ozone NAAQS. The rule would establish a revised CSAPR NO_x Ozone Season Group 3 trading program of 25 states, including Indiana and Maryland. In addition to other requirements, if finalized, EGUs in these states would begin receiving fewer allowances as soon as 2023, possibly resulting in the need to purchase additional allowances.

While the Company's additional CSAPR compliance costs to date have been immaterial, the future availability of and cost to purchase allowances to meet the emission reduction requirements is uncertain at this time, but it could be material.

Climate Change Regulation — On July 8, 2019, the EPA published the final Affordable Clean Energy ("ACE") Rule, along with associated revisions to implementing regulations, in addition to final revocation of the CPP. The ACE Rule determines that heat rate improvement measures are the Best System of Emissions Reductions for existing coal-fired electric generating units. The final rule requires states with existing coal-fired electric generating units to develop state plans to establish CO_2 emission limits for designated facilities. AES Indiana Petersburg and AES Warrior Run have coal-fired electric generating units that could have been impacted by this regulation. On January 19, 2021, the D.C. Circuit vacated and remanded to the EPA the ACE Rule, although the parties had an opportunity to request a rehearing at the D.C. Circuit or seek a review of the decision by the U.S. Supreme Court. On March 5, 2021, the D.C. Circuit issued the partial mandate effectuating the vacatur of the ACE Rule. In effect, the CPP will not take effect while the EPA is addressing the remand of the ACE rule by promulgating a new Section 111(d) rule to regulate greenhouse gases from existing electric generating units. On October 29, 2021, the U.S. Supreme Court granted petitions to review the decision by the D.C. Circuit to vacate the ACE Rule. Oral arguments took place on January 28, 2022. The impact of future greenhouse gas emissions regulations remains uncertain.

Waste Management — On October 19, 2015, an EPA rule regulating CCR under the Resource Conservation and Recovery Act as nonhazardous solid waste became effective. The rule established nationally applicable minimum criteria for the disposal of CCR in new and currently operating landfills and surface impoundments, including location restrictions, design and operating criteria, groundwater monitoring, corrective action and closure requirements, and post-closure care. The primary enforcement mechanisms under this regulation would be actions commenced by the states and private lawsuits. On December 16, 2016, the Water Infrastructure Improvements for the Nation Act ("WIN Act") was signed into law. This includes provisions to implement the CCR rule through a state permitting program, or if the state chooses not to participate, a possible federal permit program. If this rule is finalized before Indiana or Puerto Rico establishes a state-level CCR permit program, AES CCR units in those locations could eventually be required to apply for a federal CCR permit from the EPA. The EPA has indicated that it will implement a phased approach to amending the CCR Rule, which is ongoing. On August 28, 2020, the EPA published final amendments to the CCR Rule titled "A Holistic Approach to Closure Part A: Deadline to Initiate Closure," that, among other amendments, required certain CCR units to cease waste receipt and initiate closure by April 11, 2021. The CCR Part A Rule also allowed for extensions of the April 11, 2021

deadline if the EPA determines certain criteria are met. Facilities seeking such an extension were required to submit a demonstration to the EPA by November 30, 2020. On January 25, 2022, the EPA released proposed determinations regarding nine CCR Part A Rule demonstrations. On the same day, the EPA issued four compliance-related letters notifying certain other facilities of their compliance obligations under the federal CCR regulations. The determinations and letters include interpretations regarding implementation of the CCR Rule. On April 8, 2022, petitions for review were filed challenging these EPA actions. The petitions are consolidated in *Electric Energy, Inc. v. EPA*. It is too early to determine the direct or indirect impact of these letters or any determinations that may be made.

The CCR rule, current or proposed amendments to the CCR rule, the results of groundwater monitoring data, or the outcome of CCR-related litigation could have a material impact on our business, financial condition, and results of operations. AES Indiana would seek recovery of any resulting expenditures; however, there is no guarantee we would be successful in this regard.

Capital Resources and Liquidity

Overview

As of March 31, 2022, the Company had unrestricted cash and cash equivalents of $1.1 billion, of which $17 million was held at the Parent Company and qualified holding companies. The Company had $440 million in short-term investments, held primarily at subsidiaries, and restricted cash and debt service reserves of $506 million. The Company also had non-recourse and recourse aggregate principal amounts of debt outstanding of $16.1 billion and $4 billion, respectively. Of the $2.3 billion of our current non-recourse debt, $2.1 billion was presented as such because it is due in the next twelve months and $230 million relates to debt considered in default due to covenant violations. None of the defaults are payment defaults but are instead technical defaults triggered by failure to comply with covenants or other requirements contained in the non-recourse debt documents, of which $223 million is due to the bankruptcy of the offtaker.

We expect current maturities of non-recourse debt to be repaid from net cash provided by operating activities of the subsidiary to which the debt relates, through opportunistic refinancing activity, or some combination thereof. We have no recourse debt which matures within the next twelve months. From time to time, we may elect to repurchase our outstanding debt through cash purchases, privately negotiated transactions, or otherwise when management believes that such securities are attractively priced. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, and other factors. The amounts involved in any such repurchases may be material.

We rely mainly on long-term debt obligations to fund our construction activities. We have, to the extent available at acceptable terms, utilized non-recourse debt to fund a significant portion of the capital expenditures and investments required to construct and acquire our electric power plants, distribution companies, and related assets. Our non-recourse financing is designed to limit cross-default risk to the Parent Company or other subsidiaries and affiliates. Our non-recourse long-term debt is a combination of fixed and variable interest rate instruments. Debt is typically denominated in the currency that matches the currency of the revenue expected to be generated from the benefiting project, thereby reducing currency risk. In certain cases, the currency is matched through the use of derivative instruments. The majority of our non-recourse debt is funded by international commercial banks, with debt capacity supplemented by multilaterals and local regional banks.

Given our long-term debt obligations, the Company is subject to interest rate risk on debt balances that accrue interest at variable rates. When possible, the Company will borrow funds at fixed interest rates or hedge its variable rate debt to fix its interest costs on such obligations. In addition, the Company has historically tried to maintain at least 70% of its consolidated long-term obligations at fixed interest rates, including fixing the interest rate through the use of interest rate swaps. These efforts apply to the notional amount of the swaps compared to the amount of related underlying debt. Presently, the Parent Company's only material unhedged exposure to variable interest rate debt relates to drawings of $615 million under its revolving credit facility. On a consolidated basis, of the Company's $20.4 billion of total gross debt outstanding as of March 31, 2022, approximately $2.5 billion bore interest at variable rates that were not subject to a derivative instrument which fixed the interest rate. Brazil holds $1.3 billion of our floating rate non-recourse exposure as variable rate instruments act as a natural hedge against inflation in Brazil.

In addition to utilizing non-recourse debt at a subsidiary level when available, the Parent Company provides a portion, or in certain instances all, of the remaining long-term financing or credit required to fund development, construction, or acquisition of a particular project. These investments have generally taken the form of equity investments or intercompany loans, which are subordinated to the project's non-recourse loans. We generally obtain

the funds for these investments from our cash flows from operations, proceeds from the sales of assets and/or the proceeds from our issuances of debt, common stock and other securities. Similarly, in certain of our businesses, the Parent Company may provide financial guarantees or other credit support for the benefit of counterparties who have entered into contracts for the purchase or sale of electricity, equipment, or other services with our subsidiaries or lenders. In such circumstances, if a business defaults on its payment or supply obligation, the Parent Company will be responsible for the business' obligations up to the amount provided for in the relevant guarantee or other credit support. As of March 31, 2022, the Parent Company had provided outstanding financial and performance-related guarantees or other credit support commitments to or for the benefit of our businesses, which were limited by the terms of the agreements, of approximately $2.3 billion in aggregate (excluding those collateralized by letters of credit and other obligations discussed below).

As the Parent Company has only recently been upgraded to investment grade by all three rating agencies, some counterparties may be unwilling to accept our general unsecured commitments to provide credit support. Accordingly, with respect to both new and existing commitments, the Parent Company may be required to provide some other form of assurance, such as a letter of credit, to backstop or replace our credit support. The Parent Company may not be able to provide adequate assurances to such counterparties. To the extent we are required and able to provide letters of credit or other collateral to such counterparties, this will reduce the amount of credit available to us to meet our other liquidity needs. As of March 31, 2022, we had $140 million in letters of credit outstanding provided under our unsecured credit facility and $14 million in letters of credit outstanding provided under our revolving credit facility. These letters of credit operate to guarantee performance relating to certain project development and construction activities and business operations. During the quarter ended March 31, 2022, the Company paid letter of credit fees ranging from 1% to 3% per annum on the outstanding amounts.

We expect to continue to seek, where possible, non-recourse debt financing in connection with the assets or businesses that we or our affiliates may develop, construct, or acquire. However, depending on local and global market conditions and the unique characteristics of individual businesses, non-recourse debt may not be available on economically attractive terms or at all. If we decide not to provide any additional funding or credit support to a subsidiary project that is under construction or has near-term debt payment obligations and that subsidiary is unable to obtain additional non-recourse debt, such subsidiary may become insolvent, and we may lose our investment in that subsidiary. Additionally, if any of our subsidiaries lose a significant customer, the subsidiary may need to withdraw from a project or restructure the non-recourse debt financing. If we or the subsidiary choose not to proceed with a project or are unable to successfully complete a restructuring of the non-recourse debt, we may lose our investment in that subsidiary.

Many of our subsidiaries depend on timely and continued access to capital markets to manage their liquidity needs. The inability to raise capital on favorable terms, to refinance existing indebtedness, or to fund operations and other commitments during times of political or economic uncertainty may have material adverse effects on the financial condition and results of operations of those subsidiaries. In addition, changes in the timing of tariff increases or delays in the regulatory determinations under the relevant concessions could affect the cash flows and results of operations of our businesses.

Long-Term Receivables

As of March 31, 2022, the Company had approximately $54 million of gross accounts receivable classified as *Other noncurrent assets*. These noncurrent receivables mostly consist of accounts receivable in Argentina and Chile that, pursuant to amended agreements or government resolutions, have collection periods that extend beyond March 31, 2023, or one year from the latest balance sheet date. The majority of Argentine receivables have been converted into long-term financing for the construction of power plants. Noncurrent receivables in Chile pertain primarily to revenues recognized on regulated energy contracts that were impacted by the Stabilization Fund created by the Chilean government. A portion relates to the extension of existing PPAs with the addition of renewable energy. See Note 5—*Financing Receivables* in Item 1.—*Financial Statements* and *Key Trends and Uncertainties—Macroeconomic and Political—Chile* in Item 2.—*Management's Discussion and Analysis of Financial Condition and Results of Operations* of this Form 10-Q and Item 1.—*Business—South America SBU—Argentina—Regulatory Framework and Market Structure* included in our 2021 Form 10-K for further information.

As of March 31, 2022, the Company had approximately $1.2 billion of loans receivable primarily related to a facility constructed under a build, operate, and transfer contract in Vietnam. This loan receivable represents contract consideration related to the construction of the facility, which was substantially completed in 2015, and will be collected over the 25-year term of the plant's PPA. In December 2020, Mong Duong met the held-for-sale criteria and the loan receivable balance, net of CECL reserve, was reclassified to held-for-sale assets. As of March 31, 2022, $93 million of the loan receivable balance was classified as *Current held-for-sale assets* and $1.1 billion was

classified as *Noncurrent held-for-sale assets* on the Condensed Consolidated Balance Sheets. See Note 13—*Revenue* in Item 1.—*Financial Statements* of this Form 10-Q for further information.

Cash Sources and Uses

The primary sources of cash for the Company in the three months ended March 31, 2022 were debt financings, cash flows from operating activities, and sales of short-term investments. The primary uses of cash in the three months ended March 31, 2022 were repayments of debt, capital expenditures, acquisitions of noncontrolling interests, and purchases of short-term investments.

The primary sources of cash for the Company in the three months ended March 31, 2021 were proceeds from issuance of Equity Units, debt financings, sales of short-term investments, and cash flows from operating activities. The primary uses of cash in the three months ended March 31, 2021 were repayments of debt, capital expenditures, and purchases of short-term investments.

A summary of cash-based activities are as follows (in millions):

	Three Months Ended March 31,	
Cash Sources:	**2022**	**2021**
Issuance of non-recourse debt	$ 1,710	$ 307
Borrowings under the revolving credit facilities	1,193	792
Net cash provided by operating activities	457	253
Sale of short-term investments	197	257
Issuance of preferred shares in subsidiaries	60	—
Contributions from noncontrolling interests	8	94
Issuance of preferred stock	—	1,017
Other	117	52
Total Cash Sources	$ 3,742	$ 2,772
Cash Uses:		
Repayments of non-recourse debt	$ (788)	$ (320)
Capital expenditures	(766)	(432)
Repayments under the revolving credit facilities	(715)	(793)
Acquisitions of noncontrolling interests	(535)	(13)
Purchase of short-term investments	(345)	(130)
Purchase of emissions allowances	(136)	(31)
Dividends paid on AES common stock	(105)	(100)
Contributions and loans to equity affiliates	(93)	(64)
Other	(181)	(110)
Total Cash Uses	$ (3,664)	$ (1,993)
Net increase in Cash, Cash Equivalents, and Restricted Cash	$ 78	$ 779

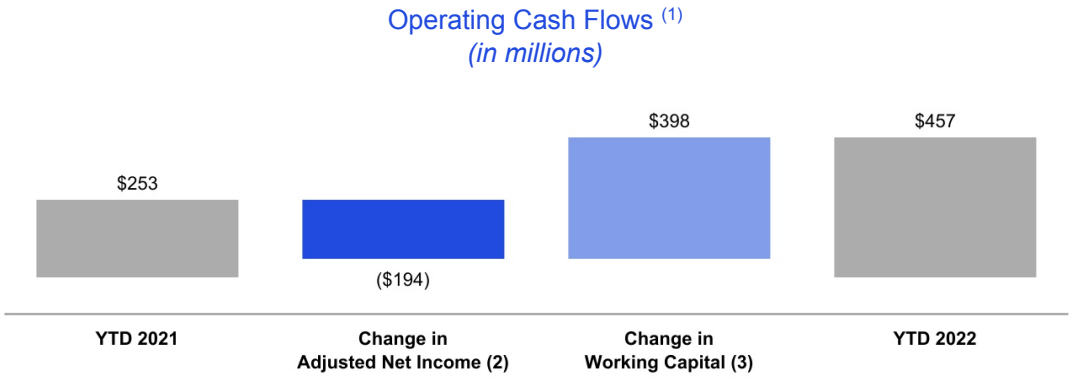
Consolidated Cash Flows

The following table reflects the changes in operating, investing, and financing cash flows for the comparative three month period (in millions):

	Three Months Ended March 31,		
Cash flows provided by (used in):	**2022**	**2021**	**$ Change**
Operating activities	$ 457	$ 253	$ 204
Investing activities	(1,153)	(387)	(766)
Financing activities	818	993	(175)

Operating Activities

Net cash provided by operating activities increased $204 million for the three months ended March 31, 2022, compared to the three months ended March 31, 2021.



(1) Amounts included in the chart above include the results of discontinued operations, where applicable.

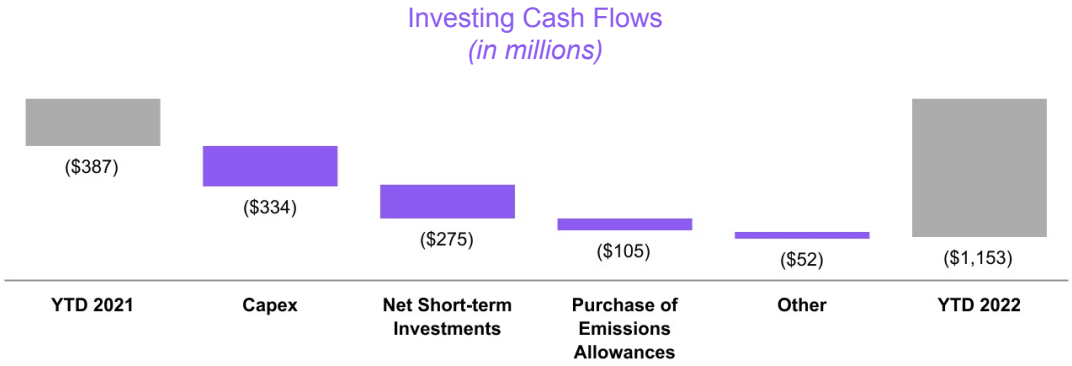
(2) The change in adjusted net income is defined as the variance in *net income*, net of the total *adjustments to net income* as shown on the Condensed Consolidated Statements of Cash Flows in Item 1—*Financial Statements* of this Form 10-Q.

(3) The change in working capital is defined as the variance in total c*hanges in operating assets and liabilities* as shown on the Condensed Consolidated Statements of Cash Flows in Item 1—*Financial Statements* of this Form 10-Q.

- Adjusted net income decreased $194 million primarily due to lower margins at our South America and MCAC SBUs and an increase in interest expense, partially offset by higher margins at our Eurasia and US and Utilities SBUs.
- Working capital requirements decreased $398 million, primarily due to the GSF liability payment at Tietê in the prior year and an increase in deferred income at Angamos due to revenue recognized in the prior year for the early contract terminations with Minera Escondida and Minera Spence.

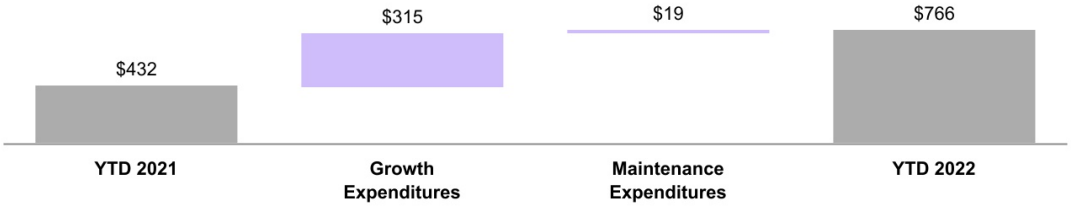
Investing Activities

Net cash used in investing activities increased $766 million for the three months ended March 31, 2022, compared to the three months ended March 31, 2021.



- Cash used for short-term investing activities increased $275 million, primarily at AES Brasil as a result of higher net short-term investment purchases in 2022.
- Purchases of emissions allowances increased $105 million, primarily in Bulgaria as a result of increased demand and higher CO_2 prices.
- Capital expenditures increased $334 million, discussed further below.

Capital Expenditures
(in millions)

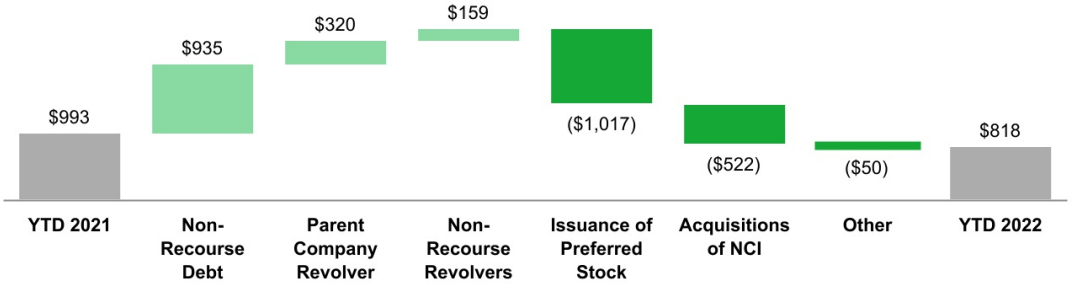


- Growth expenditures increased $315 million, primarily driven by an increase in renewable projects at AES Clean Energy and AES Brasil and by higher TDSIC investments and the Hardy Hills Solar project at AES Indiana, partially offset by the timing of payments for the construction of the Alamitos Energy Center at Southland Energy in the prior year.
- Maintenance expenditures increased $19 million, primarily due to the timing of payments at AES Indiana and increased expenditures in Argentina, partially due to a forced outage at TermoAndes.

Financing Activities

Net cash provided by financing activities decreased $175 million for the three months ended March 31, 2022, compared to the three months ended March 31, 2021.

Financing Cash Flows
(in millions)



See Notes 7—*Debt* and 11—*Equity* in Item 1—*Financial Statements* of this Form 10-Q for more information regarding significant debt and equity transactions.

- The $935 million impact from non-recourse debt transactions is primarily due to an increase in net borrowings in the Netherlands and Panama, the United Kingdom, AES Clean Energy and AES Andes, partially offset by a decrease in net borrowings at AES Brasil.
- The $320 million impact from Parent Company revolver transactions is primarily due to higher net borrowings in the current year.
- The $159 million impact from non-recourse revolver transactions is primarily due to an increase in net borrowings at IPALCO, Argentina, and AES Andes, and a decrease in net repayments in the Dominican Republic.
- The $1 billion impact from issuance of preferred stock is due to the issuance of Equity Units at the Parent Company in the prior year.
- The $522 million impact from acquisitions of noncontrolling interests is mainly due to the acquisition of an additional 32% ownership interest in AES Andes.

Parent Company Liquidity

The following discussion is included as a useful measure of the liquidity available to The AES Corporation, or the Parent Company, given the non-recourse nature of most of our indebtedness. Parent Company Liquidity, as outlined below, is a non-GAAP measure and should not be construed as an alternative to *Cash and cash equivalents,* which is determined in accordance with GAAP. Parent Company Liquidity may differ from similarly titled measures used by other companies. The principal sources of liquidity at the Parent Company level are dividends and other distributions from our subsidiaries, including refinancing proceeds, proceeds from debt and equity financings at the Parent Company level, including availability under our revolving credit facility, and proceeds from asset sales. Cash requirements at the Parent Company level are primarily to fund interest and principal repayments of debt, construction commitments, other equity commitments, acquisitions, taxes, Parent Company overhead and development costs, and dividends on common stock.

The Company defines Parent Company Liquidity as cash available to the Parent Company, including cash at qualified holding companies, 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 Company Liquidity is reconciled to its most directly comparable GAAP financial measure, *Cash and cash equivalents*, at the periods indicated as follows (in millions):

	March 31, 2022	December 31, 2021
Consolidated cash and cash equivalents	$ 1,056	$ 943
Less: Cash and cash equivalents at subsidiaries	(1,039)	(902)
Parent Company and qualified holding companies' cash and cash equivalents	17	41
Commitments under the Parent Company credit facility	1,250	1,250
Less: Letters of credit under the credit facility	(14)	(48)
Less: Borrowings under the credit facility	(615)	(365)
Borrowings available under the Parent Company credit facility	621	837
Total Parent Company Liquidity	$ 638	$ 878

The Company utilizes its Parent Company credit facility for short term cash needs to bridge the timing of distributions from its subsidiaries throughout the year.

The Parent Company paid dividends of $0.1580 per outstanding share to its common stockholders during the first quarter of 2022 for dividends declared in December 2021. While we intend to continue payment of dividends, and believe we will have sufficient liquidity to do so, we can provide no assurance that we will continue to pay dividends, or if continued, the amount of such dividends.

Recourse Debt

Our total recourse debt was $4 billion and $3.8 billion as of March 31, 2022 and December 31, 2021, respectively. See Note 7—*Debt* in Item 1.—*Financial Statements* of this Form 10-Q and Note 11—*Debt* in Item 8.—*Financial Statements and Supplementary Data* of our 2021 Form 10-K for additional detail.

We believe that our sources of liquidity will be adequate to meet our needs for the foreseeable future. This belief is based on a number of material assumptions, including, without limitation, assumptions about our ability to access the capital markets, the operating and financial performance of our subsidiaries, currency exchange rates, power market pool prices, and the ability of our subsidiaries to pay dividends. In addition, our subsidiaries' ability to declare and pay cash dividends to us (at the Parent Company level) is subject to certain limitations contained in loans, governmental provisions and other agreements. We can provide no assurance that these sources will be available when needed or that the actual cash requirements will not be greater than anticipated. We have met our interim needs for shorter-term and working capital financing at the Parent Company level with our revolving credit facility. See Item 1A.—*Risk Factors—The AES Corporation's ability to make payments on its outstanding indebtedness is dependent upon the receipt of funds from our subsidiaries* of the Company's 2021 Form 10-K for additional information.

Various debt instruments at the Parent Company level, including our revolving credit facility, contain certain restrictive covenants. The covenants provide for, among other items, limitations on other indebtedness, liens, investments and guarantees; limitations on dividends, stock repurchases and other equity transactions; restrictions and limitations on mergers and acquisitions, sales of assets, leases, transactions with affiliates and off-balance sheet and derivative arrangements; maintenance of certain financial ratios; and financial and other reporting requirements. As of March 31, 2022, we were in compliance with these covenants at the Parent Company level.

Non-Recourse Debt

While the lenders under our non-recourse debt financings generally do not have direct recourse to the Parent Company, defaults thereunder can still have important consequences for our results of operations and liquidity, including, without limitation:

- reducing our cash flows as the subsidiary will typically be prohibited from distributing cash to the Parent Company during the time period of any default;
- triggering our obligation to make payments under any financial guarantee, letter of credit, or other credit support we have provided to or on behalf of such subsidiary;
- causing us to record a loss in the event the lender forecloses on the assets; and
- triggering defaults in our outstanding debt at the Parent Company.

For example, our revolving credit facility and outstanding debt securities at the Parent Company include events of default for certain bankruptcy-related events involving material subsidiaries. In addition, our revolving credit agreement at the Parent Company includes events of default related to payment defaults and accelerations of outstanding debt of material subsidiaries.

Some of our subsidiaries are currently in default with respect to all or a portion of their outstanding indebtedness. The total non-recourse debt classified as current in the accompanying Condensed Consolidated Balance Sheets amounts to $2.3 billion. The portion of current debt related to such defaults was $230 million at March 31, 2022, all of which was non-recourse debt related to three subsidiaries — AES Puerto Rico, AES Ilumina, and AES Jordan Solar. None of the defaults are payment defaults, but are instead technical defaults triggered by failure to comply with other covenants or other conditions contained in the non-recourse debt documents, of which $223 million is due to the bankruptcy of the offtaker. See Note 7—*Debt* in Item 1.—*Financial Statements* of this Form 10-Q for additional detail.

None of the subsidiaries that are currently in default are subsidiaries that met the applicable definition of materiality under the Parent Company's debt agreements as of March 31, 2022, in order for such defaults to trigger an event of default or permit acceleration under the Parent Company's indebtedness. However, as a result of additional dispositions of assets, other significant reductions in asset carrying values or other matters in the future that may impact our financial position and results of operations or the financial position of the individual subsidiary, it is possible that one or more of these subsidiaries could fall within the definition of a "material subsidiary" and thereby trigger an event of default and possible acceleration of the indebtedness under the Parent Company's outstanding debt securities. A material subsidiary is defined in the Parent Company's revolving credit facility as any business that contributed 20% or more of the Parent Company's total cash distributions from businesses for the four most recently ended fiscal quarters. As of March 31, 2022, none of the defaults listed above, individually or in the aggregate, results in or is at risk of triggering a cross-default under the recourse debt of the Parent Company.

Critical Accounting Policies and Estimates

The condensed consolidated financial statements of AES are prepared in conformity with U.S. GAAP, which requires the use of estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods presented.

The Company's significant accounting policies are described in Note 1 — *General and Summary of Significant Accounting Policies* of our 2021 Form 10-K. The Company's critical accounting estimates are described in Item 7.—*Management's Discussion and Analysis of Financial Condition and Results of Operations* in the 2021 Form 10-K. An accounting estimate is considered critical if the estimate requires management to make an assumption about matters that were highly uncertain at the time the estimate was made, different estimates reasonably could have been used, or if changes in the estimate that would have a material impact on the Company's financial condition or results of operations are reasonably likely to occur from period to period. Management believes that the accounting estimates employed are appropriate and resulting balances are reasonable; however, actual results could differ from the original estimates, requiring adjustments to these balances in future periods. The Company has reviewed and determined that these remain as critical accounting policies as of and for the three months ended March 31, 2022.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Overview Regarding Market Risks

Our businesses are exposed to and proactively manage market risk. Our primary market risk exposure is to the price of commodities, particularly electricity, oil, natural gas, coal, and environmental credits. In addition, our businesses are exposed to lower electricity prices due to increased competition, including from renewable sources such as wind and solar, as a result of lower costs of entry and lower variable costs. We operate in multiple countries and as such, are subject to volatility in exchange rates at varying degrees at the subsidiary level and between our functional currency, the USD, and currencies of the countries in which we operate. We are also exposed to interest rate fluctuations due to our issuance of debt and related financial instruments.

The disclosures presented in this Item 3 are based upon a number of assumptions; actual effects may differ. The safe harbor provided in Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act shall apply to the disclosures contained in this Item 3. For further information regarding market risk, see Item 1A.—*Risk Factors*, *Fluctuations in currency exchange rates may impact our financial results and position; Wholesale power prices may experience significant volatility in our markets which could impact our operations and opportunities for future growth; We may not be adequately hedged against our exposure to changes in commodity prices or interest rates;* and *Certain of our businesses are sensitive to variations in weather and hydrology* of the 2021 Form 10-K.

Commodity Price Risk

Although we prefer to hedge our exposure to the impact of market fluctuations in the price of electricity, fuels, and environmental credits, some of our generation businesses operate under short-term sales or under contract sales that leave an unhedged exposure on some of our capacity or through imperfect fuel pass-throughs. These businesses subject our operational results to the volatility of prices for electricity, fuels, and environmental credits in competitive markets. We employ risk management strategies to hedge our financial performance against the effects of fluctuations in energy commodity prices. The implementation of these strategies can involve the use of physical and financial commodity contracts, futures, swaps, and options.

The portion of our sales and purchases that are not subject to such agreements or contracted businesses where indexation is not perfectly matched to business drivers will be exposed to commodity price risk. When hedging the output of our generation assets, we utilize contract sales that lock in the spread per MWh between variable costs and the price at which the electricity can be sold.

AES businesses will see changes in variable margin performance as global commodity prices shift. For 2022, we project pre-tax earnings exposure on a 10% (uncorrelated) move in commodity prices would be approximately a $5 million gain for power and oil, a $5 million loss for coal, and a $20 million loss for natural gas. Our estimates exclude correlation of oil with coal or natural gas. For example, a decline in oil or natural gas prices can be accompanied by a decline in coal price if commodity prices are correlated. In aggregate, the Company's downside exposure occurs with higher power, higher oil, higher natural gas, and higher coal prices. Exposures at individual businesses will change as new contracts or financial hedges are executed, and our sensitivity to changes in commodity prices generally increases in later years with reduced hedge levels at some of our businesses.

Commodity prices affect our businesses differently depending on the local market characteristics and risk management strategies. Spot power prices, contract indexation provisions, and generation costs can be directly or indirectly affected by movements in the price of natural gas, oil, and coal. We have some natural offsets across our businesses such that low commodity prices may benefit certain businesses and be a cost to others. Exposures are not perfectly linear or symmetric. The sensitivities are affected by a number of local or indirect market factors. Examples of these factors include hydrology, local energy market supply/demand balances, regional fuel supply issues, regional competition, bidding strategies, and regulatory interventions such as price caps. Operational flexibility changes the shape of our sensitivities. For instance, certain power plants may limit downside exposure by reducing dispatch in low market environments. Volume variation also affects our commodity exposure. The volume sold under contracts or retail concessions can vary based on weather and economic conditions, resulting in a higher or lower volume of sales in spot markets. Thermal unit availability and hydrology can affect the generation output available for sale and can affect the marginal unit setting power prices.

In the US and Utilities SBU, the generation businesses are largely contracted, but may have residual risk to the extent contracts are not perfectly indexed to the business drivers. At Southland, our existing once-through cooling generation units ("Legacy Assets") have been requested to continue operating beyond their current retirement date and the OTC policy establishing retirement deadlines has been extended for between one and three years. These assets have contracts in capacity and have seen incremental value in energy revenues.

In the South America SBU, our business in Chile owns assets in the central and northern regions of the country and has a portfolio of contract sales in both. The majority of our PPAs include mechanisms of indexation that adjust the price of energy based on fluctuations in the price of coal, with the specific indices and timing varying by contract, in order to mitigate changes in the price of fuel. For the portion of our contracts not indexed to the price of coal, we have implemented a hedging strategy based on international coal financial instruments for up to three years. In Colombia, we operate under a shorter-term sales strategy with spot market exposure for uncontracted volumes. Because we own hydroelectric assets there, contracts are not indexed to fuel. Additionally, in Brazil, the hydroelectric generating facility is covered by contract sales. Under normal hydrological volatility, spot price risk is mitigated through a regulated sharing mechanism across all hydroelectric generators in the country. Under drier conditions, the sharing mechanism may not be sufficient to cover the business' contract position, and therefore it may have to purchase power at spot prices driven by the cost of thermal generation.

In the MCAC SBU, our businesses have commodity exposure on unhedged volumes. Panama is highly contracted under financial and load-following PPA type structures, exposing the business to hydrology-based variation. To the extent hydrological inflows are greater than or less than the contract volumes, the business will be sensitive to changes in spot power prices which may be driven by oil and natural gas prices in some time periods. In the Dominican Republic, we own natural gas-fired assets contracted under a portfolio of contract sales, and both contract and spot prices may move with commodity prices. Additionally, the contract levels do not always match our generation availability; as such, our assets may be selling the excess above contract levels at spot prices or buy the deficit in the spot market to satisfy contractual obligations.

In the Eurasia SBU, our assets operating in Vietnam and Bulgaria have minimal exposure to commodity price risk as it has no or minor merchant exposure and fuel is subject to a pass-through mechanism.

Foreign Exchange Rate Risk

In the normal course of business, we are exposed to foreign currency risk and other foreign operations risks that arise from investments in foreign subsidiaries and affiliates. A key component of these risks stems from the fact that some of our foreign subsidiaries and affiliates utilize currencies other than our consolidated reporting currency, the USD. Additionally, certain of our foreign subsidiaries and affiliates have entered into monetary obligations in USD or currencies other than their own functional currencies. Certain of our foreign subsidiaries calculate and pay taxes in currencies other than their own functional currency. We have varying degrees of exposure to changes in the exchange rate between the USD and the following currencies: Argentine peso, Brazilian real, Chilean peso, Colombian peso, Dominican peso, Euro, and Mexican peso. These subsidiaries and affiliates have attempted to limit potential foreign exchange exposure by entering into revenue contracts that adjust to changes in foreign exchange rates. We also use foreign currency forwards, swaps, and options, where possible, to manage our risk related to certain foreign currency fluctuations.

AES enters into foreign currency hedges to protect economic value of the business and minimize the impact of foreign exchange rate fluctuations to AES' portfolio. While protecting cash flows, the hedging strategy is also designed to reduce forward-looking earnings foreign exchange volatility. Due to variation of timing and amount between cash distributions and earnings exposure, the hedge impact may not fully cover the earnings exposure on a realized basis, which could result in greater volatility in earnings. The largest foreign exchange risks over the remaining period of 2022 stem from the following currencies: Brazilian real, Colombian peso, and Euro. As of March 31, 2022, assuming a 10% USD appreciation, cash distributions attributable to foreign subsidiaries exposed to movement in the exchange rate of the Euro, Brazilian real, and Colombia peso each are projected to be impacted by less than a $5 million loss. These numbers have been produced by applying a one-time 10% USD appreciation to forecasted exposed cash distributions for 2022 coming from the respective subsidiaries exposed to the currencies listed above, net of the impact of outstanding hedges and holding all other variables constant. The numbers presented above are net of any transactional gains or losses. These sensitivities may change in the future as new hedges are executed or existing hedges are unwound. Additionally, updates to the forecasted cash distributions exposed to foreign exchange risk may result in further modification. The sensitivities presented do not capture the impacts of any administrative market restrictions or currency inconvertibility.

Interest Rate Risks

We are exposed to risk resulting from changes in interest rates as a result of our issuance of variable and fixed-rate debt, as well as interest rate swap, cap, floor, and option agreements.

Decisions on the fixed-floating debt mix are made to be consistent with the risk factors faced by individual businesses or plants. Depending on whether a plant's capacity payments or revenue stream is fixed or varies with inflation, we partially hedge against interest rate fluctuations by arranging fixed-rate or variable-rate financing. In

certain cases, particularly for non-recourse financing, we execute interest rate swap, cap, and floor agreements to effectively fix or limit the interest rate exposure on the underlying financing. Most of our interest rate risk is related to non-recourse financings at our businesses.

As of March 31, 2022, the portfolio's pre-tax earnings exposure for 2022 to a one-time 100-basis-point increase in interest rates for our Argentine peso, Brazilian real, Chilean peso, Colombian peso, Euro, and USD denominated debt would be less than $15 million on interest expense for the debt denominated in these currencies. These amounts do not take into account the historical correlation between these interest rates.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company, under the supervision and with the participation of its management, including the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), evaluated the effectiveness of its "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) under the Exchange Act, as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our CEO and CFO have concluded that our disclosure controls and procedures were effective as of March 31, 2022, to ensure that information required to be disclosed by the Company in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by us in such reports is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Controls over Financial Reporting

There were no changes that occurred during the fiscal quarter covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is involved in certain claims, suits and legal proceedings in the normal course of business. The Company has accrued for litigation and claims when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The Company believes, based upon information it currently possesses and taking into account established reserves for estimated liabilities and its insurance coverage, that the ultimate outcome of these proceedings and actions is unlikely to have a material adverse effect on the Company's condensed consolidated financial statements. It is reasonably possible, however, that some matters could be decided unfavorably to the Company and could require the Company to pay damages or make expenditures in amounts that could be material, but cannot be estimated as of March 31, 2022.

In December 2001, Grid Corporation of Odisha (“GRIDCO”) served a notice to arbitrate pursuant to the Indian Arbitration and Conciliation Act of 1996 on the Company, AES Orissa Distribution Private Limited (“AES ODPL”), and Jyoti Structures (“Jyoti”) pursuant to the terms of the shareholders agreement between GRIDCO, the Company, AES ODPL, Jyoti and the Central Electricity Supply Company of Orissa Ltd. (“CESCO”), an affiliate of the Company. In the arbitration, GRIDCO asserted that a comfort letter issued by the Company in connection with the Company's indirect investment in CESCO obligates the Company to provide additional financial support to cover all of CESCO's financial obligations to GRIDCO. GRIDCO appeared to be seeking approximately $189 million in damages, plus undisclosed penalties and interest, but a detailed alleged damage analysis was not filed by GRIDCO. The Company counterclaimed against GRIDCO for damages. In June 2007, a 2-to-1 majority of the arbitral tribunal rendered its award rejecting GRIDCO's claims and holding that none of the respondents, the Company, AES ODPL, or Jyoti, had any liability to GRIDCO. The respondents' counterclaims were also rejected. A majority of the tribunal later awarded the respondents, including the Company, some of their costs relating to the arbitration. GRIDCO filed challenges of the tribunal's awards with the local Indian court. GRIDCO's challenge of the costs award has been dismissed by the court, but its challenge of the liability award remains pending. A hearing on the liability award has not taken place to date. The Company believes that it has meritorious defenses to the claims asserted against it and will defend itself vigorously in these proceedings; however, there can be no assurances that it will be successful in its efforts.

Pursuant to their environmental audit, AES Sul and AES Florestal discovered 200 barrels of solid creosote waste and other contaminants at a pole factory that AES Florestal had been operating. The conclusion of the audit was that a prior operator of the pole factory, Companhia Estadual de Energia (“CEEE”), had been using those contaminants to treat the poles that were manufactured at the factory. On their initiative, AES Sul and AES Florestal communicated with Brazilian authorities and CEEE about the adoption of containment and remediation measures. In March 2008, the State Attorney of the state of Rio Grande do Sul, Brazil filed a public civil action against AES Sul, AES Florestal and CEEE seeking an order requiring the companies to mitigate the contaminated area located on the grounds of the pole factory and an indemnity payment of approximately R$6 million ($1 million). In October 2011, the State Attorney filed a request for an injunction ordering the defendant companies to contain and remove the contamination immediately. The court granted injunctive relief on October 18, 2011, but determined that only CEEE was required to perform the removal work. In May 2012, CEEE began the removal work in compliance with the injunction. The case is now awaiting judgment. The removal and remediation costs are estimated to be approximately R$10 million to R$41 million ($2 million to $9 million), and there could be additional costs which cannot be estimated at this time. In June 2016, the Company sold AES Sul to CPFL Energia S.A. and as part of the sale, AES Guaiba, a holding company of AES Sul, retained the potential liability relating to this matter. The Company believes that there are meritorious defenses to the claims asserted against it and will defend itself vigorously in these proceedings; however, there can be no assurances that it will be successful in its efforts.

In October 2015, AES Indiana received a similar NOV alleging violations at Petersburg Station. In addition, in February 2016, AES Indiana received an NOV from the EPA alleging violations of New Source Review and other CAA regulations, the Indiana State Implementation Plan (“SIP”), and the Title V operating permit at Petersburg Station. On August 31, 2020, AES Indiana reached a settlement with the EPA, the DOJ and IDEM, resolving these purported violations of the CAA at Petersburg Station. The settlement agreement, in the form of a proposed judicial consent decree, was approved and entered by the U.S. District Court for the Southern District of Indiana on March 23, 2021, and includes, among other items, the following requirements: annual caps on NO_x and SO_2 emissions and more stringent emissions limits than AES Indiana's current Title V air permit; payment of civil penalties totaling $1.5 million; a $5 million environmental mitigation project consisting of the construction and operation of a new, non-emitting source of generation at the site; expenditure of $0.3 million on a state-only environmentally beneficial project to preserve local, ecologically-significant lands; and retirement of Units 1 and 2 prior to July 1, 2023. If AES Indiana does not meet the retirement obligation, it must install a Selective Non-Catalytic Reduction System (SNCR) on Unit 4.

In September 2015, AES Southland Development, LLC and AES Redondo Beach, LLC filed a lawsuit against the California Coastal Commission (the “CCC”) over the CCC's determination that the site of AES Redondo Beach included approximately 5.93 acres of CCC-jurisdictional wetlands. The CCC has asserted that AES Redondo Beach has improperly installed and operated water pumps affecting the alleged wetlands in violation of the California Coastal Act and Redondo Beach Local Coastal Program. Potential outcomes of the CCC determination could include an order requiring AES Redondo Beach to perform a restoration and/or pay fines or penalties. AES Redondo Beach believes that it has meritorious arguments concerning the underlying CCC determination, but there can be no assurances that it will be successful. On March 27, 2020, AES Redondo Beach, LLC sold the site to an unaffiliated third-party purchaser that assumed the obligations contained within these proceedings. On May 26, 2020, CCC staff sent AES a NOV directing AES to submit a Coastal Development Permit (“CDP”) application for the removal of the water pumps within the alleged wetlands. AES has submitted the CDP to the permitting authority, the City of Redondo Beach (“the City”), with respect to AES’ plans to disable or remove the pumps. The NOV also directed AES to submit technical analysis regarding additional water pumps located within onsite electrical vaults and a CDP application for their continued operation. AES has responded to the CCC, providing the requested analysis and seeking further discussion with the agency regarding the CDP. On October 14, 2020, the City deemed the CDP application to be complete and indicated a public hearing will be required, at which time AES must present additional information and analysis on the pumps within the alleged wetlands and the onsite electrical vaults.

In January 2017, the Superintendencia del Medio Ambiente (“SMA”) issued a Formulation of Charges asserting that Alto Maipo is in violation of certain conditions of the Environmental Approval Resolution (“RCA”) governing the construction of Alto Maipo’s hydropower project, for, among other things, operating vehicles at unauthorized times and failing to mitigate the impact of water infiltration during tunnel construction (“Infiltration Water”). In February 2017, Alto Maipo submitted a compliance plan (“Compliance Plan”) to the SMA which, if approved by the agency, would resolve the matter without materially impacting construction of the project. In April 2018, the SMA approved the Compliance Plan (“April 2018 Approval”). Among other things, the Compliance Plan as approved by the SMA requires Alto Maipo to obtain from the Environmental Evaluation Service (“SEA”) a definitive interpretation of the RCA’s provisions concerning the authorized times to operate certain vehicles. A number of lawsuits have been filed in relation to the April 2018 Approval. These lawsuits were consolidated into one process in the Second Environmental Tribunal of Santiago ("Tribunal"). In October 2021, the Tribunal issued a ruling in favor of Alto Maipo and the SMA, upholding the validity of the Compliance Plan and dismissing all consolidated lawsuits. This ruling was appealed. The appeal is now in the Chilean Supreme Court, which is considering whether to accept the case for appeal. Further, in January 2022, Alto Maipo received the definitive interpretation of the RCA´s provisions concerning the authorized times to operate certain vehicles. Accordingly, Alto Maipo has requested that the Compliance Plan be declared fulfilled and formally closed. If the Compliance Plan is ultimately declared to be fulfilled and closed, and if the above-referenced appeal is dismissed, the Formulation of Charges will be discharged without penalty. Otherwise, Alto Maipo could be subject to penalties, and the project could be negatively impacted. Alto Maipo will pursue its interests vigorously in these matters; however, there can be no assurances that it will be successful in its efforts.

In June 2017, Alto Maipo terminated one of its contractors, Constructora Nuevo Maipo S.A. (“CNM”), given CNM’s stoppage of tunneling works, its failure to produce a completion plan, and its other breaches of contract. Also, Alto Maipo drew $73 million under letters of credit (“LC Funds”) in connection with its termination of CNM. Alto Maipo is pursuing arbitration against CNM to recover excess completion costs and other damages totaling at least $236 million (net of the LC Funds) relating to CNM’s breaches (“First Arbitration”). CNM denies liability and seeks a declaration that its termination was wrongful, damages that it alleges result from that termination, and other relief. CNM alleges that it is entitled to damages ranging from $70 million to $170 million (which include the LC Funds) plus interest and costs, based on various scenarios. Alto Maipo has contested these submissions. The evidentiary hearing in the First Arbitration took place May 20-31, 2019, and closing arguments were heard June 9-10, 2020. Also, in August 2018, CNM purported to initiate a separate arbitration against AES Andes and the Company (“Second Arbitration”). In the Second Arbitration, CNM sought to pierce Alto Maipo’s corporate veil and appeared to seek an award holding AES Andes and the Company jointly and severally liable to pay any alleged net amounts that are found to be due to CNM in the First Arbitration or otherwise. The Second Arbitration was consolidated into the First Arbitration. In October 2021, the Tribunal issued a final and enforceable Partial Award in favor of Alto Maipo. The Tribunal held, among other things, that Alto Maipo properly terminated the relevant tunneling contract and that Alto Maipo’s draw of the LC Funds was proper. Also, the Tribunal determined that Alto Maipo was entitled to be paid additional damages of nearly $107 million (net after offsets) and that interest would accrue on the total amount of damages awarded until paid by CNM. The Tribunal also dismissed the Second Arbitration as moot. The Tribunal reserved for further proceedings, the issues of the interest to be paid by CNM and, as to all parties, the award of legal fees and costs. To date, CNM has not paid the damages awarded to Alto Maipo. Instead, CNM has made an application for an immaterial correction to the Partial Award. CNM has also filed an application to revise the Partial

Award (“Revision Application”) seeking to reduce the net damages awarded to Alto Maipo to approximately $42 million. Alto Maipo has contested the Revision Application. The Tribunal will hear arguments on the Revision Application as well as the issue of interest on the damages awarded to Alto Maipo. Arbitration costs for all parties will be considered thereafter. Each of Alto Maipo, AES Andes, and the Company believes it has meritorious claims and/or defenses and will pursue its interests vigorously; however, there can be no assurances that each will be successful in its efforts.

In October 2017, the Maritime Prosecution Office from Valparaíso issued a ruling alleging responsibility by AES Andes for the presence of coal waste on Ventanas beach, and proposed a fine before the Maritime Governor, of approximately $395,000. AES Andes submitted its statement of defense, denying the allegations. An evidentiary stage was concluded and then re-opened by order of the Maritime Governor on February 5, 2019 to allow AES Andes an opportunity to present reports and other evidence to challenge the grounds of the ruling. AES Andes has completed its presentation of evidence and awaits the Maritime Prosecution Office’s decision of the case. In May 2021, AES Andes was notified of an amended Opinion of the Maritime Prosecution Office which extends the alleged liability to a third party and reduces the proposed fine to AES Andes to approximately $372,000. AES Andes responded to the new Opinion on May 31. On August 18, the Maritime Governor issued a resolution affirming the proposed fine, and on September 8, AES Andes filed an administrative action with the Maritime Governor requesting reconsideration of the fine. On December 28, 2021 the resolution rejecting the reinstatement appeal was notified and on January 17, 2022 AES Andes filed an appeal against that ruling. In April 2022, Puerto Ventanas requested that the Maritime Authority join this proceeding with a parallel proceeding that is in the preliminary stages of the process. The current appeal is suspended until the Maritime Authority decides whether or not to join the proceedings. AES Andes believes that it has meritorious defenses to the allegations

In December 2018, a lawsuit was filed in Dominican Republic civil court against the Company, AES Puerto Rico, and three other AES affiliates. The lawsuit purports to be brought on behalf of over 100 Dominican claimants, living and deceased, and appears to seek relief relating to CCRs that were delivered to the Dominican Republic in 2004. The lawsuit generally alleges that the CCRs caused personal injuries and deaths and demands $476 million in alleged damages. The lawsuit does not identify, or provide any supporting information concerning, the alleged injuries of the claimants individually. Nor does the lawsuit provide any information supporting the demand for damages or explaining how the quantum was derived. The relevant AES companies believe that they have meritorious defenses to the claims asserted against them and will defend themselves vigorously in this proceeding; however, there can be no assurances that they will be successful in their efforts.

In February 2019, a separate lawsuit was filed in Dominican Republic civil court against the Company, AES Puerto Rico, two other AES affiliates, and an unaffiliated company and its principal. The lawsuit purports to be brought on behalf of over 200 Dominican claimants, living and deceased, and appears to seek relief relating to CCRs that were delivered to the Dominican Republic in 2003 and 2004. The lawsuit generally alleges that the CCRs caused personal injuries and deaths and demands over $900 million in alleged damages. The lawsuit does not identify, or provide any supporting information concerning, the alleged injuries of the claimants individually. Nor does the lawsuit provide any information supporting the demand for damages or explaining how the quantum was derived. In August 2020, at the request of the relevant AES companies, the case was transferred to a different civil court. Preliminary hearings have taken place and are ongoing. The relevant AES companies believe that they have meritorious defenses to the claims asserted against them and will defend themselves vigorously in this proceeding; however, there can be no assurances that they will be successful in their efforts.

In October 2019, the Superintendency of the Environment (the "SMA") notified AES Andes of certain alleged breaches associated with the environmental permit of the Ventanas Complex, initiating a sanctioning process through Exempt Resolution N° 1 / ROL D-129-2019. The alleged charges include exceeding generation limits, failing to reduce emissions during episodes of poor air quality, exceeding limits on discharges to the sea, and exceeding noise limits. AES Andes has submitted a proposed “Compliance Program” to the SMA for the Ventanas Complex. The latest version of this Compliance Program was submitted on May 26, 2021. On December 30, 2021, the Compliance Program was approved by the SMA. However an ex officio action was brought by the SMA due to alleged exceedances of generation limits, which would require the Company to reduce SO2, NOx and PM emissions in order to achieve the emissions offset established in the Compliance Program. On January 6, 2022, AES Andes filed a reposition with the SMA seeking modification of the means for compliance with the ex officio action. The reposition filing is currently under review by the SMA. The effects of the ex officio action are suspended until the reposition is resolved, but the SMA ruling is otherwise unaffected. Fines are possible if the SMA determines there is an unsatisfactory execution of the Compliance Program. The cost of proposed Compliance Program is approximately $10.8 million.

In March 2020, Mexico's Comisión Federal de Electricidad ("CFE") served an arbitration demand upon AES Mérida III. CFE makes allegations that AES Mérida III is in breach of its obligations under a power and capacity purchase agreement ("Contract") between the two parties, which allegations related to CFE's own failure to provide fuel within the specifications of the Contract. CFE seeks to recover approximately $200 million in payments made to AES Merida under the Contract as well as approximately $480 million in alleged damages for having to acquire power from alternative sources in the Yucatan Peninsula. AES Mérida has filed an answer denying liability to CFE and asserting a counterclaim for damages due to CFE's breach of its obligations. The parties submitted their respective initial briefs and supporting evidence in December 2020. After additional briefing, the evidentiary hearing took place in November 2021. Closing arguments were heard in May 2022. The parties are awaiting the decision of the arbitration Tribunal. AES Mérida believes that it has meritorious defenses and claims and will assert them vigorously in the arbitration; however, there can be no assurances that it will be successful in its efforts.

In February 2022, a lawsuit was filed in Dominican Republic civil court against the Company. The lawsuit purports to be brought on behalf of over 425 Dominican claimants, living and deceased, and appears to seek relief relating to CCRs that were delivered to the Dominican Republic in 2003 and 2004. The lawsuit generally alleges that the CCRs caused personal injuries and deaths and demands over $600 million in alleged damages. The lawsuit does not identify or provide any supporting information concerning the alleged injuries of the claimants individually. Nor does the lawsuit provide any information supporting the demand for damages or explaining how the quantum was derived. The Company believes that it has meritorious defenses to the claims asserted against it and will defend itself vigorously in this proceeding; however, there can be no assurances that it will be successful in its efforts.

ITEM 1A. RISK FACTORS

You should consider carefully the following updates to risk factors, along with the risk factors disclosed in Item 1A.—*Risk Factors* of our 2021 Form 10-K and other information contained in or incorporated by reference in this Form 10-Q. Additional risks and uncertainties also may adversely affect our business and operations, including those discussed in Item 2.—*Management's Discussion and Analysis of Financial Condition and Results of Operations* in this Form 10-Q. The Risk Factors section in our 2021 Form 10-K otherwise remains current in all material respects. If any of the following events actually occur, our business, financial results and financial condition could be materially adversely affected. We routinely encounter and address risks, some of which may cause our future results to be materially different than we presently anticipate.

The operation of power generation, distribution and transmission facilities involves significant risks.

We are in the business of generating and distributing electricity, which involves certain risks that can adversely affect financial and operating performance, including:

- changes in the availability of our generation facilities or distribution systems due to increases in scheduled and unscheduled plant outages, equipment failure, failure of transmission systems, labor disputes, disruptions in fuel supply, poor hydrologic and wind conditions, inability to comply with regulatory or permit requirements, or catastrophic events such as fires, floods, storms, hurricanes, earthquakes, dam failures, tsunamis, explosions, terrorist acts, cyber attacks or other similar occurrences; and
- changes in our operating cost structure, including, but not limited to, increases in costs relating to gas, coal, oil and other fuel; fuel transportation; purchased electricity; operations, maintenance and repair; environmental compliance, including the cost of purchasing emissions offsets and capital expenditures to install environmental emission equipment; transmission access; and insurance.

Our businesses require reliable transportation sources (including related infrastructure such as roads, ports and rail), power sources and water sources to access and conduct operations. The availability and cost of this infrastructure affects capital and operating costs and levels of production and sales. Limitations, or interruptions in this infrastructure or at the facilities of our subsidiaries, including as a result of third parties intentionally or unintentionally disrupting this infrastructure or the facilities of our subsidiaries, could impede their ability to produce electricity.

In addition, a portion of our generation facilities were constructed many years ago and may require significant capital expenditures for maintenance. The equipment at our plants requires periodic upgrading, improvement or repair and replacement equipment or parts may be difficult to obtain in circumstances where we rely on a single supplier or a small number of suppliers. The inability to obtain replacement equipment or parts, due to disruption of the supply chain or other factors, may impact the ability of our plants to perform. Breakdown or failure of one of our operating facilities may prevent the facility from performing under applicable power sales agreements which, in

certain situations, could result in termination of a power purchase or other agreement or incurrence of a liability for liquidated damages and/or other penalties.

Power generation involves hazardous activities, including acquiring, transporting and unloading fuel, operating large pieces of rotating equipment and delivering electricity to transmission and distribution systems. In addition to natural risks, such as earthquakes, floods, lightning, hurricanes and wind, hazards, such as fire, explosion, collapse and machinery failure, are inherent risks in our operations which may occur as a result of inadequate internal processes, technological flaws, human error or actions of third parties or other external events. The control and management of these risks depend upon adequate development and training of personnel and on operational procedures, preventative maintenance plans, and specific programs supported by quality control systems, which may not prevent the occurrence and impact of these risks.

In addition, our battery storage operations also involve risks associated with lithium-ion batteries. On rare occasions, lithium-ion batteries can rapidly release the energy they contain by venting smoke and flames in a manner that can ignite nearby materials as well as other lithium-ion batteries. While more recent design developments for our storage projects seek to minimize the impact of such events, these events are inherent risks of our battery storage operations.

The hazards described above, along with other safety hazards associated with our operations, can cause significant personal injury or loss of life, severe damage to and destruction of property, plant and equipment, contamination of, or damage to, the environment and suspension of operations. The occurrence of any one of these events may result in our being named as a defendant in lawsuits asserting claims for substantial damages, environmental cleanup costs, personal injury and fines, and/or penalties.

Furthermore, we and our affiliates are parties to material litigation and regulatory proceedings. See Item 1.— Legal Proceedings above. There can be no assurance that the outcomes of such matters will not have a material adverse effect on our consolidated financial position.

Our renewable energy projects and other initiatives face considerable uncertainties.

Wind, solar, and energy storage projects are subject to substantial risks. Some of these business lines are dependent upon favorable regulatory incentives to support continued investment, and there is significant uncertainty about the extent to which such favorable regulatory incentives will be available in the future. In particular, in the U.S., AES' renewable energy generation growth strategy depends in part on federal, state and local government policies and incentives that support the development, financing, ownership and operation of renewable energy generation projects, including investment tax credits, production tax credits, accelerated depreciation, renewable portfolio standards, feed-in-tariffs and similar programs, renewable energy credit mechanisms, and tax exemptions. If these policies and incentives are changed or eliminated, or AES is unable to use them, there could be a material adverse impact on AES' U.S. renewable growth opportunities, including fewer future PPAs or lower prices in future PPAs, decreased revenues, reduced economic returns on certain project company investments, increased financing costs, and/or difficulty obtaining financing.

In addition, the results of the U.S. Department of Commerce's investigation into the antidumping and countervailing duties circumvention claim on solar cells and panels supplied from Malaysia, Vietnam, Thailand, and Cambodia are uncertain. If the investigation results in additional taxes, tariffs, duties, or other assessments on renewable energy or the equipment necessary to generate or deliver it, such as antidumping and countervailing duty rates, such developments could impede the realization of our U.S. renewables strategy by resulting in, among other items, lack of a satisfactory market for the development and/or financing of our U.S. renewable energy projects, abandoning the development of certain U.S. renewable energy projects, a loss of our investments in the projects, and/or reduced project returns.

Furthermore, production levels for our wind and solar projects may be dependent upon adequate wind or sunlight, resulting in volatility in production levels and profitability. For our wind projects, wind resource estimates are based on historical experience when available and on wind resource studies conducted by an independent engineer. These wind resource estimates are not expected to reflect actual wind energy production in any given year, but long-term averages of a resource.

As a result, these types of projects face considerable risk, including that favorable regulatory regimes expire or are adversely modified. At the development or acquisition stage, our ability to predict actual performance results may be hindered and the projects may not perform as predicted. There are also risks associated with the fact that some of these projects exist in markets where long-term fixed-price contracts for the major cost and revenue components may be unavailable, which in turn may result in these projects having relatively high levels of volatility. These projects can be capital-intensive and generally are designed with a view to obtaining third-party financing,

which may be difficult to obtain. As a result, these capital constraints may reduce our ability to develop or obtain third-party financing for these projects.

Any of the above factors could have a material adverse effect on our business, financial condition, results of operations and prospects.

Cyber-attacks and data security breaches could harm our business.

Our business relies on electronic systems and network technologies to operate our generation, transmission and distribution infrastructure. We also use various financial, accounting, and other infrastructure systems. Our infrastructure may be targeted by nation states, hacktivists, criminals, insiders, or terrorist groups. In particular, there has been an increased focus on the U.S. energy grid believed to be related to the Russia/Ukraine conflict. Such an attack, by hacking, malware or other means, may interrupt our operations, cause property damage, affect our ability to control our infrastructure assets, cause the release of sensitive customer information, or limit communications with third parties. Any loss or corruption of confidential or proprietary data through a breach may:

- impact our operations, revenue, strategic objectives, customer and vendor relationships;
- expose us to legal claims and/or regulatory investigations and proceedings;
- require extensive repair and restoration costs for additional security measures to avert future attacks;
- impair our reputation and limit our competitiveness for future opportunities; and
- impact our financial and accounting systems and, subsequently, our ability to correctly record, process, and report financial information.

We have implemented measures to help prevent unauthorized access to our systems and facilities, including certain measures to comply with mandatory regulatory reliability standards. To date, cyber-attacks have not had a material impact on our operations or financial results. We continue to assess potential threats and vulnerabilities and make investments to address them, including global monitoring of networks and systems, identifying and implementing new technology, improving user awareness through employee security training, and updating our security policies as well as those for third-party providers. We cannot guarantee the extent to which our security measures will prevent future cyber-attacks and security breaches or that our insurance coverage will adequately cover any losses we may experience. Further, we do not control certain of joint ventures or our equity method investments and cannot guarantee that their efforts will be effective.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The Board has authorized the Company to repurchase stock through a variety of methods, including open market repurchases, purchases by contract (including, without limitation, accelerated stock repurchase programs or 10b5-1 plans) and/or privately negotiated transactions. There can be no assurances as to the amount, timing or prices of repurchases, which may vary based on market conditions and other factors. The Program does not have an expiration date and can be modified or terminated by the Board of Directors at any time. As of March 31, 2022, $264 million remained available for repurchase under the Program. No repurchases were made by The AES Corporation of its common stock during the first quarter of 2022.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

31.1	Rule13a-14(a)/15d-14(a) Certification of Andrés Gluski (filed herewith).
31.2	Rule 13a-14(a)/15d-14(a) Certification of Stephen Coughlin (filed herewith).
32.1	Section 1350 Certification of Andrés Gluski (filed herewith).
32.2	Section 1350 Certification of Stephen Coughlin (filed herewith).
101	The AES Corporation Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, formatted in Inline XBRL (Inline Extensible Business Reporting Language): (i) the Cover Page, (ii) Condensed Consolidated Balance Sheets, (iii) Condensed Consolidated Statements of Operations, (iv) Condensed Consolidated Statements of Comprehensive Income, (v) Condensed Consolidated Statements of Changes in Equity, (vi) Condensed Consolidated Statements of Cash Flows, and (vii) Notes to Condensed Consolidated Financial Statements. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE AES CORPORATION
(Registrant)

Date: May 5, 2022

By: /s/ STEPHEN COUGHLIN
Name: Stephen Coughlin
Title: *Executive Vice President and Chief Financial Officer (Principal Financial Officer)*

By: /s/ SHERRY L. KOHAN
Name: Sherry L. Kohan
Title: *Vice President and Controller (Principal Accounting Officer)*

Exhibit 31.1

CERTIFICATIONS

I, Andrés Gluski, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The AES Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2022

/s/ ANDRÉS GLUSKI

Name: Andrés Gluski
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Stephen Coughlin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The AES Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2022

/s/ STEPHEN COUGHLIN

Name: Stephen Coughlin

Executive Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF PERIODIC FINANCIAL REPORTS

I, Andrés Gluski, President and Chief Executive Officer of The AES Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, (the "Periodic Report") which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of The AES Corporation.

Date: May 5, 2022

/S/ ANDRÉS GLUSKI

Name: Andrés Gluski
President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION OF PERIODIC FINANCIAL REPORTS

I, Stephen Coughlin, Executive Vice President and Chief Financial Officer of The AES Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, (the "Periodic Report") which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of The AES Corporation.

Date: May 5, 2022

/s/ STEPHEN COUGHLIN

Name: Stephen Coughlin

Executive Vice President and Chief Financial Officer