Q3 2023 Earnings Presentation

Talen Energy Corporation | November 14, 2023

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Agenda

1. Business Review
2. Financial Review
3. Q&A

Continued Progress on Strategic Focus Areas

Solid Q3 Performance and Narrowing 2023 Guidance

- Solid Q3 results, with $224mm Adjusted EBITDA[1] and $146mm Adjusted Free Cash Flow[1]
- Narrowing 2023 guidance by reducing upper end of prior Adjusted EBITDA range, primarily driven by Nueces Bay outages and congestion costs in ERCOT

2023 Guidance[1]
Adjusted EBITDA: $1,070 – $1,175mm
Adjusted FCF: $550 – $585mm

Establishing 2024 Guidance

- Establishing 2024 Adjusted EBITDA and Adjusted Free Cash Flow guidance ranges with midpoints higher than the Jan 27th Forecast
- Higher guidance largely driven by cost reductions and focus on operating model

2024 Guidance[1]
Adjusted EBITDA: $600 – $800mm
Adjusted FCF: $150 – $300mm

Key Operational and Asset Updates

- PJM: Fleet performed well in mild summer, with cash flows supported by hedge gains
- ERCOT: Good margin performance but lost opportunities due to Nueces Bay outage
- Cumulus: Continued progress on monetization of digital campus

Solid Performance Across the Fleet

Continued Focus on Shareholders

- Board authorized $300mm share repurchase program through Q4 2025, supported by ample cash flows and $289mm cash on hand as of Nov 10th
- Hosted ~70 investors and research analysts for Susquehanna and Cumulus site visit day

$300mm SRP
Supported by Ample Cash Flows and $289mm Cash on Hand

1. *Excluding Cumulus. Please refer to Reconciliation of Non-GAAP Financial Measures section of the Appendix for more detail on Adjusted EBITDA and Adjusted Free Cash Flow.*

Strong Operational and Financial Performance Year to Date

Key Operational Metrics

0.7
YTD 2023 OSHA Total Recordable Incident Rate[1]

3.5%
YTD 2023 Equivalent Forced Outage Factor[2]

24 TWh
YTD 2023 Total Generation[3]

53%
YTD 2023 Carbon-Free Generation[4]

Key Financial Metrics

$998mm
YTD 2023 Adjusted EBITDA[5]

$609mm
YTD 2023 Adjusted Free Cash Flow[5]

$989mm
Liquidity[6]

~1.6x – 1.8x
Net Debt / 2023 Adjusted EBITDA[7]

Note: All metrics exclude Cumulus.

1. *Also known as TRIR; defined as number of recordable incidents x 200,000 / total number of manhours worked. Only includes generation facilities we operate (i.e., excludes Conemaugh and Keystone).*
2. *Also known as EFOF; defined as the percentage of a given period in which a generating unit is not available due to forced outages and forced deratings. Represents all generation facilities, including our portion of partially-owned facilities.*
3. *Generated MWhs sold after consumption for station use where applicable.*
4. *Represents generation from Susquehanna nuclear facility.*
5. *Please refer to Reconciliation of Non-GAAP Financial Measures section of the Appendix for more detail on Adjusted EBITDA and Adjusted Free Cash Flow.*
6. *Calculated as $289mm unrestricted cash plus $700mm undrawn revolver availability at 11/10/2023.*
7. *Calculated as $2,199mm total debt less $289mm unrestricted cash as of 11/10/2023, divided by the range of 2023E Adjusted EBITDA guidance of $1,070 – $1,175mm.*

Key Operational and Asset Updates

PJM Performance

- Reliable fleet performance with ~4% EFOF in Q3 2023 and ~9 TWh of generation
- Below-average summer temperatures resulted in reduced power demand and lower prices
  - PJM experienced its lowest average July and August peak demand in the last 5 years
- Cash flows were supported by hedge program gains

ERCOT Performance

- Strong performance during period of high pricing drove physical energy margin[1], offset by Nueces Bay outages and congestion costs
  - ERCOT set several new summer peak demand records during Q3, including record load of 85,464 MW
- Nueces Bay experienced outages during Tropical Storm Harold and due to the failure of a main power transformer
- Notified ERCOT of intent to continue operating Barney Davis 1, rather than suspending it in late November

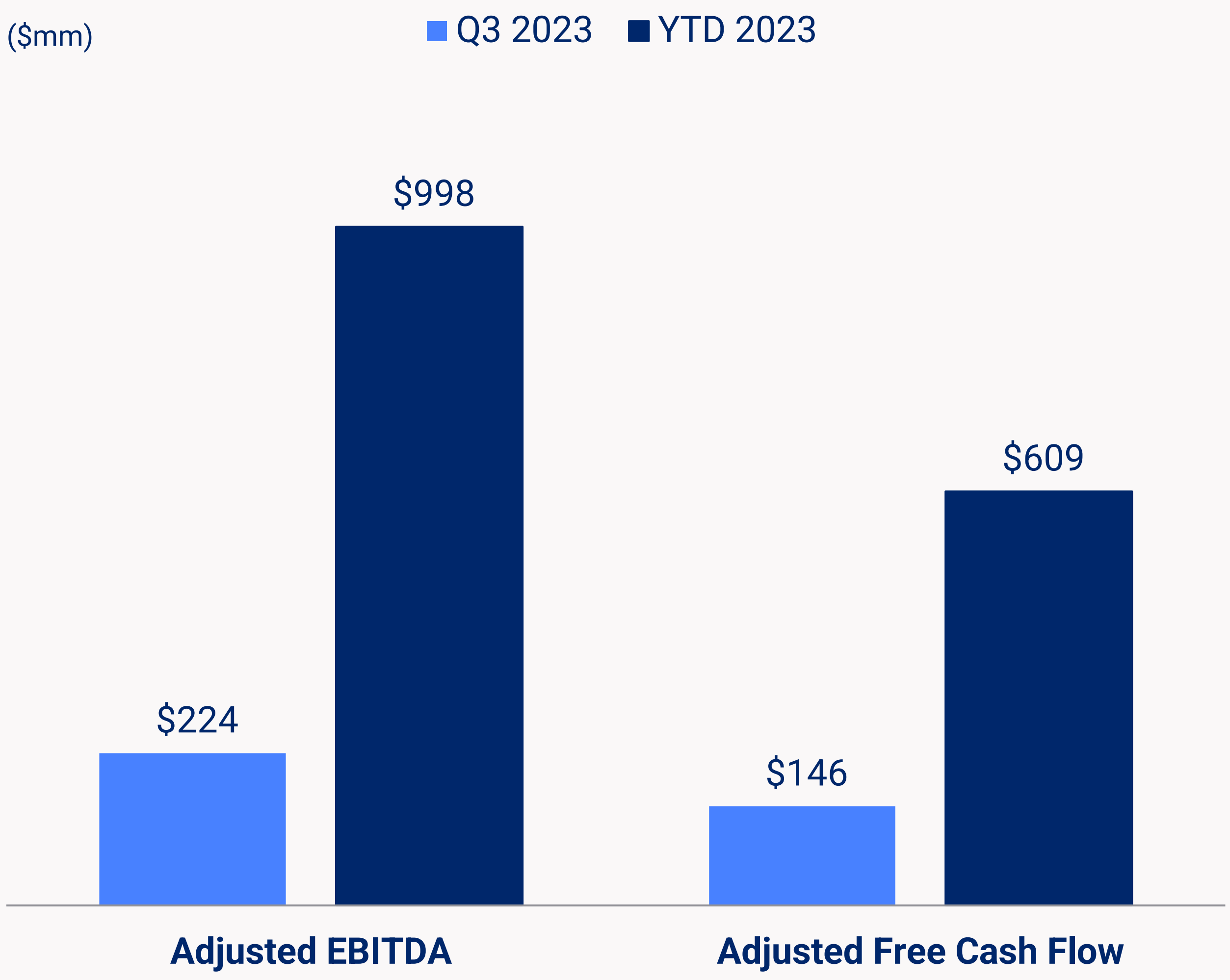
CUMULUS

Cumulus Update

- Continued progress on campus monetization – a potential sale or JV focused on:
  - Significant upfront return of invested capital
  - Future Susquehanna cash flow growth through long-term PPAs at a premium to PTC
- Hosted ~70 investors and research analysts on October 24th for successful site visit day showcasing the intersection of Susquehanna and Cumulus

1. *Energy margin earned that is associated with a generation facility's electric generation and ancillary services activities, based on the price of power received at the generation facility's pricing node, which reflects congestion, line loss, and other market costs. Such amounts exclude any gains or losses associated with commercial hedging activities.*

Solid Financial Results



- Solid Adjusted EBITDA and Adjusted Free Cash Flow performance in both Q3 2023 and YTD 2023
- In PJM, mild summer temperatures drove lower physical energy margin, but cash flows were protected by hedge program gains
- In ERCOT, fleet ran well during elevated spark spreads, driving physical energy margin that was offset by Nueces Bay outages and congestion costs

Note: Excluding Cumulus. Please refer to Reconciliation of Non-GAAP Financial Measures section of the Appendix for more detail on Adjusted EBITDA and Adjusted Free Cash Flow.

Narrowing 2023 Guidance

	Current Range	Initial Range	Commentary
Adjusted EBITDA	$1,070 – $1,175 million	$1,070 – $1,245 million	(-) Reduced upside opportunity reflecting outages and congestion costs
Adjusted Free Cash Flow	$550 – $585 million	$550 – $595 million	(+) Includes certain cash flow improvement actions

Narrowing 2023 Adjusted EBITDA range by reducing upper end to reflect ERCOT outages and congestion costs, with minimal impact to Adjusted Free Cash Flow range

Note: Excluding Cumulus. Please refer to Reconciliation of Non-GAAP Financial Measures section of the Appendix for more detail on Adjusted EBITDA and Adjusted Free Cash Flow.

Establishing 2024 Guidance

	Current Range	Jan 27th Forecast	Commentary
Adjusted EBITDA	$600 – $800 million	$653 million	(++) Cost reductions in O&M and G&A (+) Higher ERCOT summer spark spreads (-) Lower PJM winter forwards due to lower natural gas prices
Adjusted Free Cash Flow	$150 – $300 million	$188 million[1]	(+) Continued improvement in certain cash items

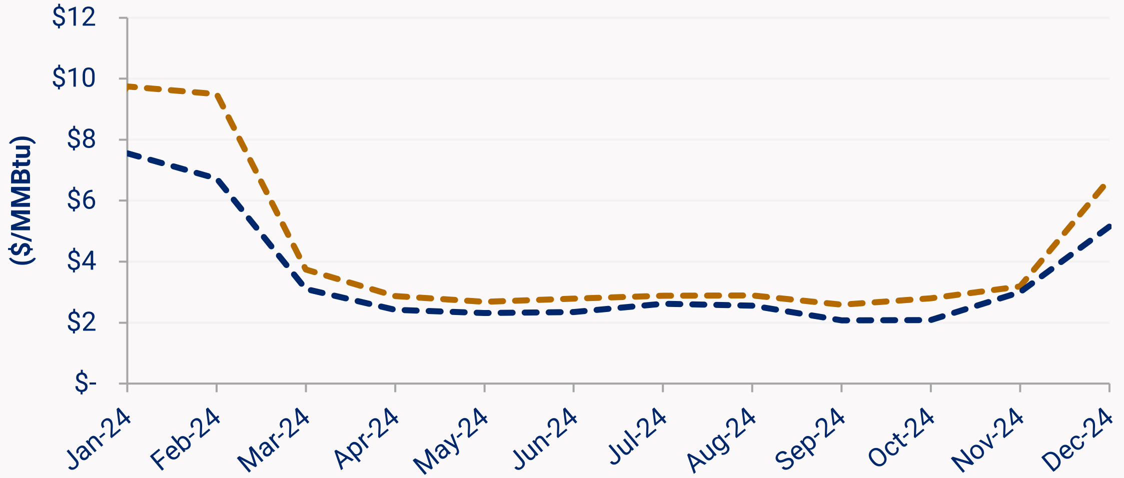
Establishing 2024 Adjusted EBITDA and Adjusted Free Cash Flow ranges with midpoints higher than prior Jan 27th Forecast

Note: Excluding Cumulus. Please refer to Reconciliation of Non-GAAP Financial Measures section of the Appendix for more detail on Adjusted EBITDA and Adjusted Free Cash Flow.

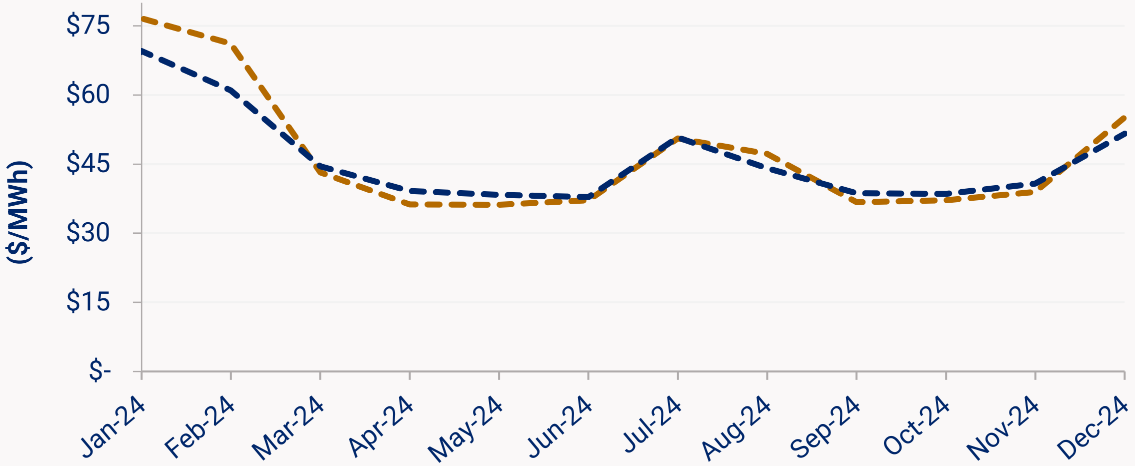
1. Calculated as $238mm of 2024E Adjusted Free Cash Flow per the Jan 27th Forecast less $22mm of tax payments and $28mm of pension contributions.

2024 PJM and ERCOT Markets: Jan 27th vs. Sep 29th

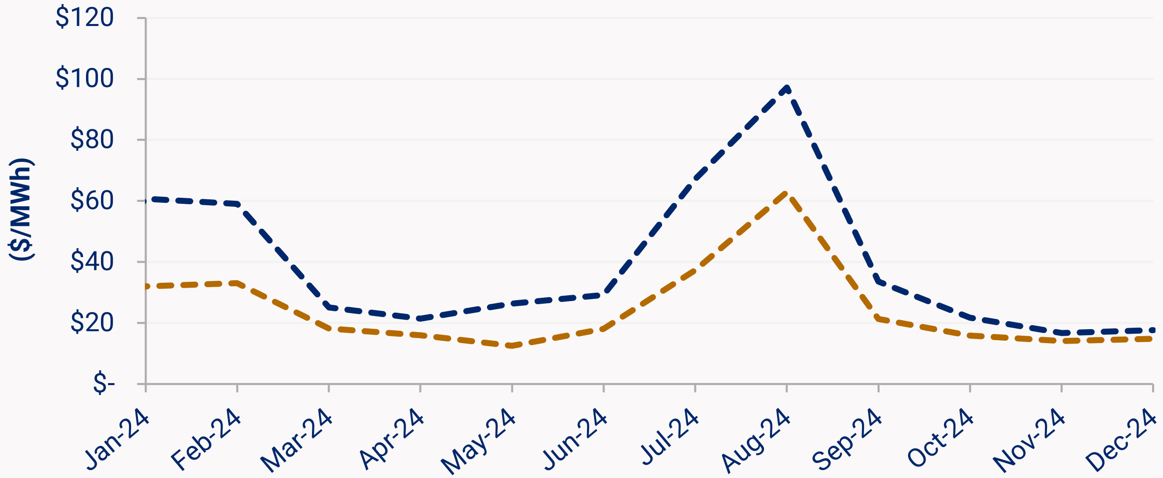
TETCO M3 (PJM) Gas Prices



PJM West Hub ATC Power Prices



ERCOT South Hub Peak Spark Spreads[1]



1. *Spark spreads are computed based on real-time South Hub prices, Houston Ship Channel gas prices, and a heat rate of 7 MMBtu/MWh.*

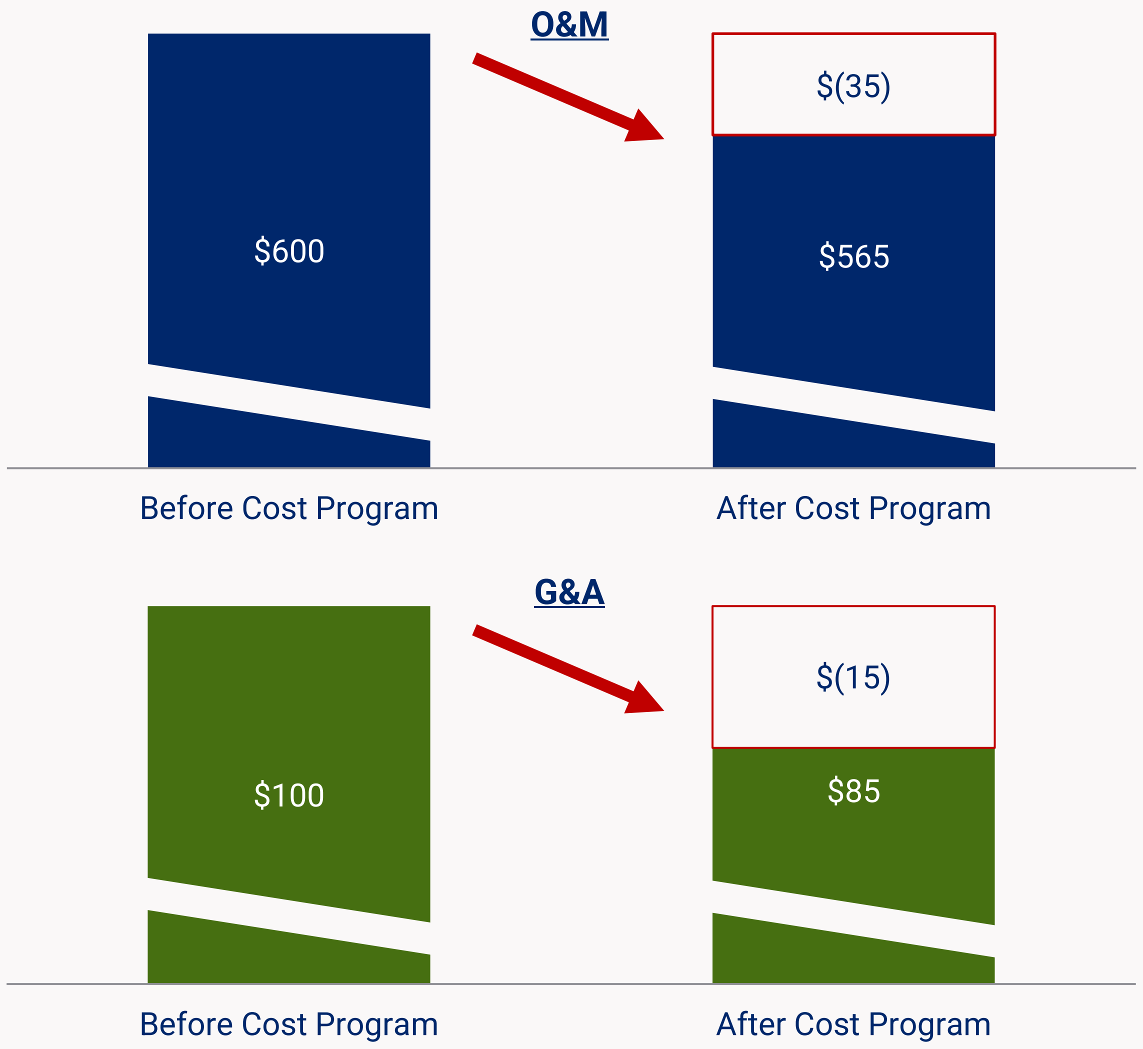
Commentary

- U.S. natural gas production has reached record levels in excess of 103 Bcf/d recently
- 2024 PJM power prices as of Sep 29th are generally in line with Jan 27th, except weaker in the winter months (Jan / Feb)
- ERCOT spark spreads have widened significantly on tight fundamentals and market structure changes

---- Pricing as of Sep 29th (Reflected in current '24 guidance ranges)
---- Pricing as of Jan 27th (Reflected in prior '24 forecast)

Spotlight: Cost Savings Initiative

Illustrative 2024 Cost Savings Impact ($mm)



Summary

- Assessed the operational model and cost structure across the company
- Specific actions identified, with substantial portion to be executed in Q4 2023
- Run-rate impact of cost savings initiative estimated to be ~$50mm per year across O&M (~$35mm) and G&A (~$15mm)

Areas of Focus

- ✓ Reductions in contractor and vendor spend through contract renegotiations and cancellations
- ✓ Evaluation of current activity and staffing levels
- ✓ Functional group consolidation

Continued Focus on Shareholder Returns and Equity Liquidity

Announced $300mm Share Repurchase Program[1]

Given Talen's projected cash flow generation and modest leverage, the Talen Board has authorized a **$300mm share repurchase program[1]**

Talen is **committed to returning capital to its shareholders** and intends to execute repurchases on an opportunistic basis

At recent share prices of $52 – $54/share, $300mm of share repurchases reflects **~10% of current market capitalization**

1. *Share repurchase program has been authorized by the Talen Board through Q4 2025.*

Maintaining Modest Leverage and Ample Liquidity

Capitalization Summary *($mm unless otherwise noted)*	**November 10, 2023**
Unrestricted Cash	$289
Secured Debt	$2,068
Total Debt	**$2,199**
Net Debt	***$1,910***

Credit Metrics

2023E Adjusted EBITDA	$1,070 – $1,175
Net Debt / 2023E Adjusted EBITDA	*~1.6x – 1.8x*
2024E Adjusted EBITDA	$600 – $800
Net Debt / 2024E Adjusted EBITDA	*~2.4x – 3.2x*
Total Liquidity[1]	*$989*

Continued focus on maintaining net leverage ≤3.5x and using excess cash flows to maximize return on capital

Note: Excluding Cumulus. Please refer to Reconciliation of Non-GAAP Financial Measures section of the Appendix for more detail on Adjusted EBITDA. All calculations exclude $470mm Term Loan C, given that the cash proceeds associated with this facility are held in restricted accounts to secure LCs.

1. *Calculated as $289mm unrestricted cash plus $700mm undrawn revolver availability at 11/10/2023.*

Talen's Value Proposition

Low Carbon-Intensity Fleet Anchored by Industry-Leading Nuclear Plant

Stable Cash Flows with Upside Optionality from Market Dynamics

Multiple Paths to Unlocking Value from Existing Investments

Focused on Capital Discipline and Shareholder Returns

Appendix

Generation Portfolio Summary

Asset	Location	Primary Fuel Type	Plant Type	Ownership	Owned Capacity (MW)[1]	COD	Region
Zero-Carbon Nuclear							
Susquehanna[2]	PA	Nuclear	Baseload	90%	2,228	1983 - 1985	PJM-PPL/MAAC
Natural Gas & Peaking Units							
Barney Davis[3]	TX	Natural Gas	Intermediate	100%	897	1974 - 2010	ERCOT-South
Nueces Bay	TX	Natural Gas	Intermediate	100%	635	2010	ERCOT-South
Laredo	TX	Natural Gas	Peaker	100%	178	2008	ERCOT-South
Lower Mt. Bethel	PA	Natural Gas	Baseload	100%	606	2004	PJM-PPL
Martins Creek	PA	Natural Gas	Peaker	100%	1,716	1975 - 1977	PJM-PPL
Peaking units	MD	Oil	Peaker	100%	13	1967	PJM-BGE
Camden	NJ	Natural Gas	Peaker	100%	145	1993	PJM-PSEG
Dartmouth	MA	Natural Gas	Peaker	100%	80	1996	ISO-NE SEMA
Dual Fuel (Transitioning off Coal)							
Brunner Island[4, 8]	PA	Natural Gas / Coal (Dual Fuel)	Intermediate	100%	1,429	1961 - 1969	PJM-PPL
Montour[5, 8]	PA	Natural Gas / Coal (Dual Fuel)	Intermediate	100%	1,508	1972 - 1973	PJM-PPL
Minority-Owned Coal							
Conemaugh[2, 8]	PA	Coal	Intermediate	22%	386	1970 - 1971	PJM-MAAC
Keystone[2, 8]	PA	Coal	Intermediate	12%	214	1967 - 1968	PJM-MAAC
Colstrip Unit 3[2]	MT	Coal	Baseload	30%	222	1984 -1986	WECC
Planned Retirement							
Brandon Shores[6]	MD	Coal	Intermediate	100%	1,283	1984 - 1991	PJM-BGE
H.A. Wagner[6, 7]	MD	Oil / Coal (Converting to Oil)	Peaker	100%	834	1956 - 1972	PJM-BGE
Total					**12,374**		

Note: Fleet as of 9/30/2023.

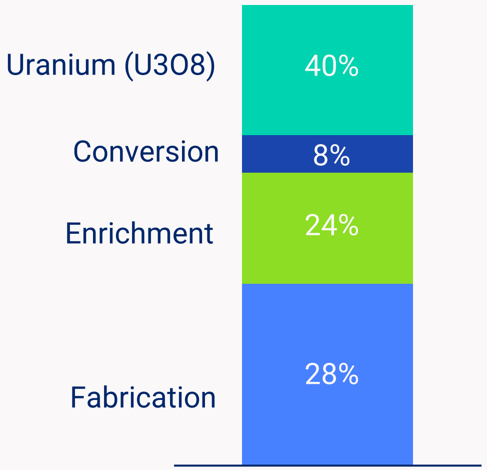
1. *Electric generation capacity (summer rating) is based on factors, among others, such as operating experience and physical conditions, which may be subject to revision.*
2. *See Note 14 in Talen's 2022 Annual Financial Statements for additional information regarding jointly owned facilities.*
3. *In June 2023, a notice was provided to ERCOT to indefinitely suspend operations of Barney Davis Unit 1, which has a capacity of 292 MW. Subsequently, in October 2023, the Company reassessed its suspension of operations of Barney Davis Unit 1 and notified ERCOT of its intent to continue operation of the unit.*
4. *Coal-fired electric generation is restricted during the EPA Ozone Season, which is May 1 to September 30 of each year.*
5. *Montour completed its coal-to-natural-gas fuel conversion in August 2023, with Montour's Unit 3 dispatchable on natural gas or coal.*
6. *Notice was provided to PJM of deactivation as of June 1, 2025 for Brandon Shores and Wagner. See Note 10 in Talen's Q3 2023 Financial Statements for additional information on the Brandon Shores and Wagner deactivations.*
7. *The coal-to-fuel-oil conversion of H.A. Wagner's Unit 3 is expected to be completed by the end of 2023.*
8. *Coal-fired electric generation is required to cease at Montour by December 2025 and at Brunner Island, Keystone, and Conemaugh by December 2028, with an earlier retirement of coal at the wholly owned Montour and Brunner Island facilities at the Company's election.*

Nuclear Fuel Largely Contracted through 2028

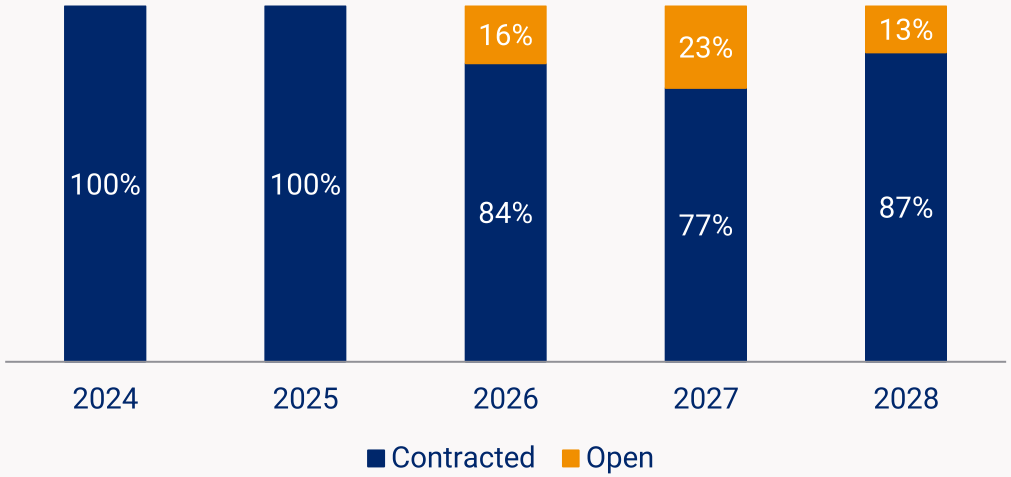
Overview

- Nuclear fuel procurement is a **four-phase process**
- Talen contracts fuel **years in advance** to avoid near-term cost variability
- Talen negotiates new contracts on a rolling basis and **minimizes exposure to index prices** for uranium
- Talen has diverse relationships with the industry's biggest suppliers and **no Russian counterparty exposure**

2024 Fuel Reload Cost



% Price Contracted by Fuel Reload Year



Note: As of 9/30/2023.

Focused on Monetizing Zero-Carbon-Powered Digital Infrastructure Assets

TALEN ENERGY

~95% Equity

Cumulus Digital

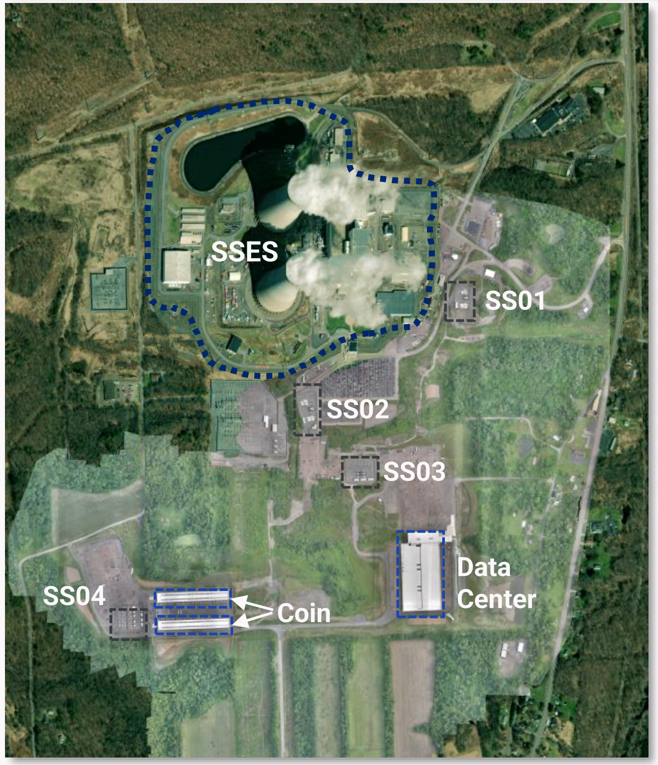
Orion Energy Partners
~4% equity | $190mm term loan

Cumulus Data ("Data")

First 24x7 carbon-free, direct-connect data center campus

Existing 12.4 GW Generation Portfolio

Other Growth Assets (Largely Renewables)



- 4 expandable substations and electrical infrastructure on 1,200 acres, with up to 950 MW[1] of potential redundant capacity directly connected to Susquehanna
  - Substations 1 and 2 are both linked to SSES and to Substations 3 and 4
  - Substation 3 is dedicated to the data center campus
  - Substation 4 is connected to the operational digital currency facility
  - 240 MW[1] redundant capacity for data centers expected to be ready in 2024
- Robust and redundant fiber network
- First data center powered shell with gross capacity of 65+ MW ready for fit-out
- Nautilus ground lease with submetered power (currently 150 MW[2] active)

Digital Currency Assets

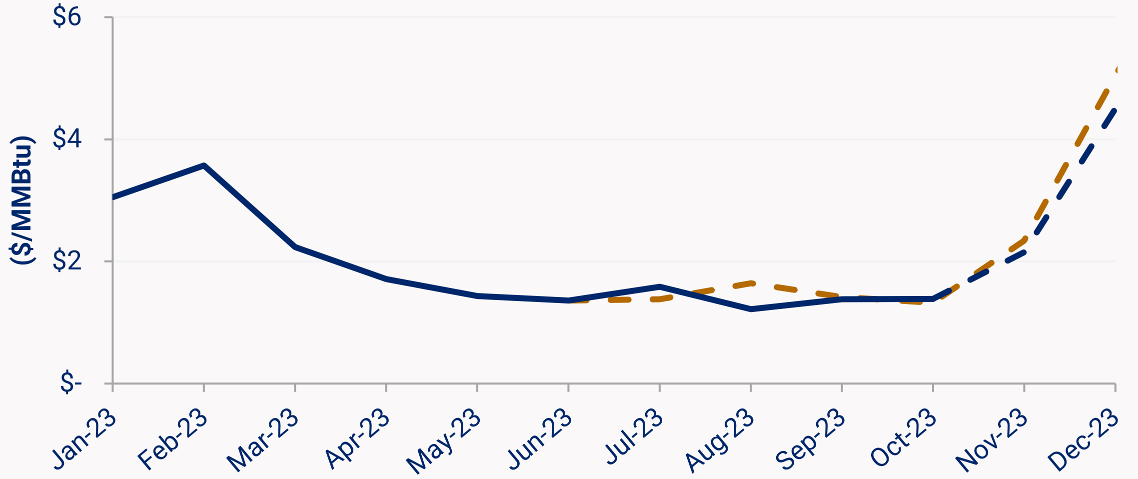
Cumulus Coin ("Coin")
(Coin Owns 75% of Nautilus)

Nautilus Cryptomine ("Nautilus")
(150 MW[2] of Active Mining Capacity)

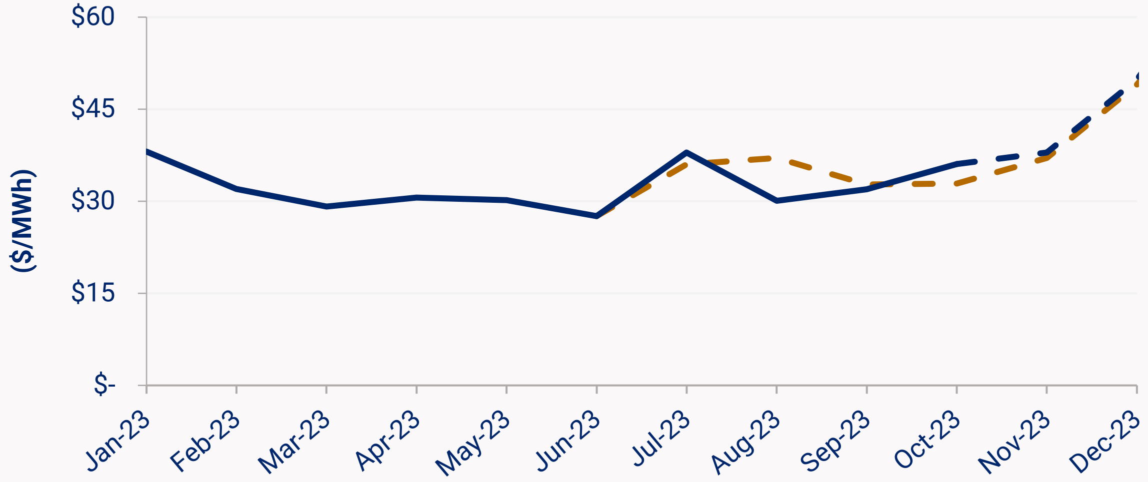
Note: As of 10/31/2023. All ownership lines are effectively 100% unless otherwise noted.
1. *Represents gross capacity (i.e., includes parasitic load, which is power and cooling load for ancillary equipment, common area operation, etc.).*
2. *150 MW is gross (i.e., includes parasitic load). Facility has up to 200 MW of gross capacity.*

2023 PJM and ERCOT Markets: Jun 30th vs. Sep 29th

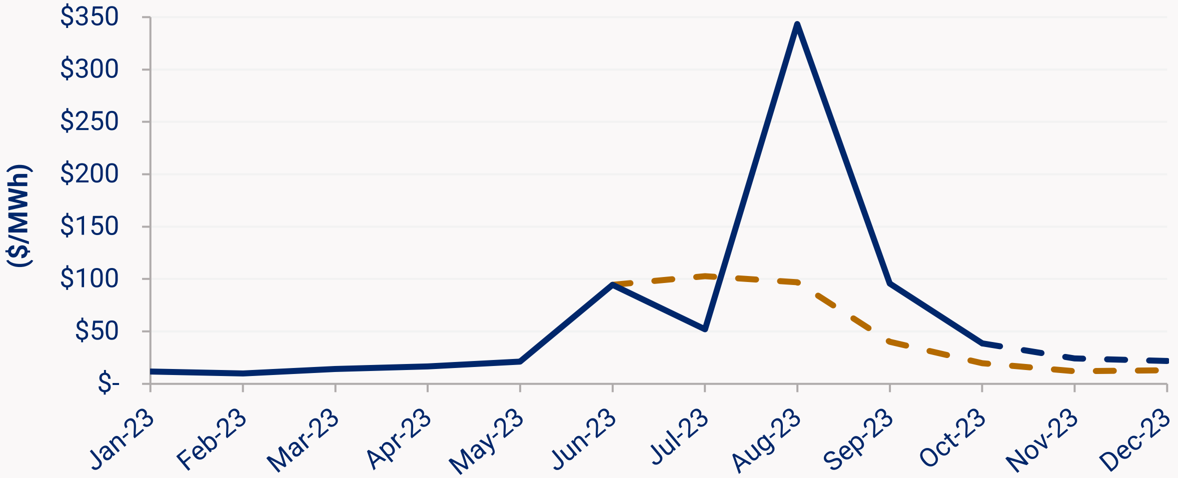
TETCO M3 (PJM) Gas Prices



PJM West Hub ATC Power Prices



ERCOT South Hub Peak Spark Spreads[1]



1. *Spark spreads are computed based on real-time South Hub prices, Houston Ship Channel gas prices, and a heat rate of 7 MMBtu/MWh.*

Commentary

- During 2023, the natural gas market declined substantially, given strong supply growth and a mild winter
- PJM forward markets have largely mirrored natural gas weakness
- This summer, due to record temperatures and power demand, ERCOT spark spreads settled well above Jun 30th projections

Pricing as of Sep 29th (Reflected in current '23 guidance ranges)
Pricing as of Jun 30th (Reflected in initial '23 guidance ranges)
Solid line reflects actuals and dotted line reflects projections

Hedging Program Supports Cash Flow Stability and Maintains Upside Optionality

Average Regional Pricing Summary		Q4 2023	2024
PJM	PJM WHUB as of 1/27/2023 ($/MWh)	$43.09	$47.17
	PJM WHUB as of 6/30/2023 ($/MWh)	$39.66	$44.30
	PJM WHUB as of 9/29/2023 ($/MWh)	$41.32	$46.23
	TETCO M3 as of 1/27/2023 ($/MMBtu)	$3.84	$4.35
	TETCO M3 as of 6/30/2023 ($/MMBtu)	$2.91	$3.67
	TETCO M3 as of 9/29/2023 ($/MMBtu)	$2.68	$3.49
ERCOT	ERCOT South Peak Spark Spreads as of 1/27/2023 ($/MWh)[1]	$14.30	$24.84
	ERCOT South Peak Spark Spreads as of 6/30/2023 ($/MWh)[1]	$14.91	$31.48
	ERCOT South Peak Spark Spreads as of 9/29/2023 ($/MWh)[1]	$28.42	$39.98

Portfolio Hedge Position and 9/29/2023 Rule of Thumb Power Price Sensitivities[2]	Q4 2023	2024
% Hedged at 6/30/2023	57%	76% (46% excl. PTC)
% Hedged at 9/29/2023	71%	63% (47% excl. PTC)
Impact on Gross Margin[3] of +$5/MWh at 9/29/2023 ($mm)	+$15	+$80 (+$135 excl. PTC[4])
Impact on Gross Margin[3] of -$5/MWh at 9/29/2023 ($mm)	-$15	-$50 (-$110 excl. PTC[4])

Note: Figures rounded to nearest $5mm.

1. *ERCOT spark spreads are computed based on a heat rate of 7 MMBtu/MWh.*
2. *Where applicable, sensitivities adjusted monthly gas prices to maintain consistent heat rate relationships with corresponding power prices for each power market served by a particular gas supply.*
3. *Gross Margin includes the following line items, which are defined in Talen's Q3 statement of operations: Capacity revenues plus energy and other revenues (which includes realized impact of hedges) less fuel and energy purchases (which includes realized impact of hedges).*
4. *Estimated at 90% of projected PTC benefit to reflect potential discount from PTC monetization.*

Nuclear Production Tax Credit Overview

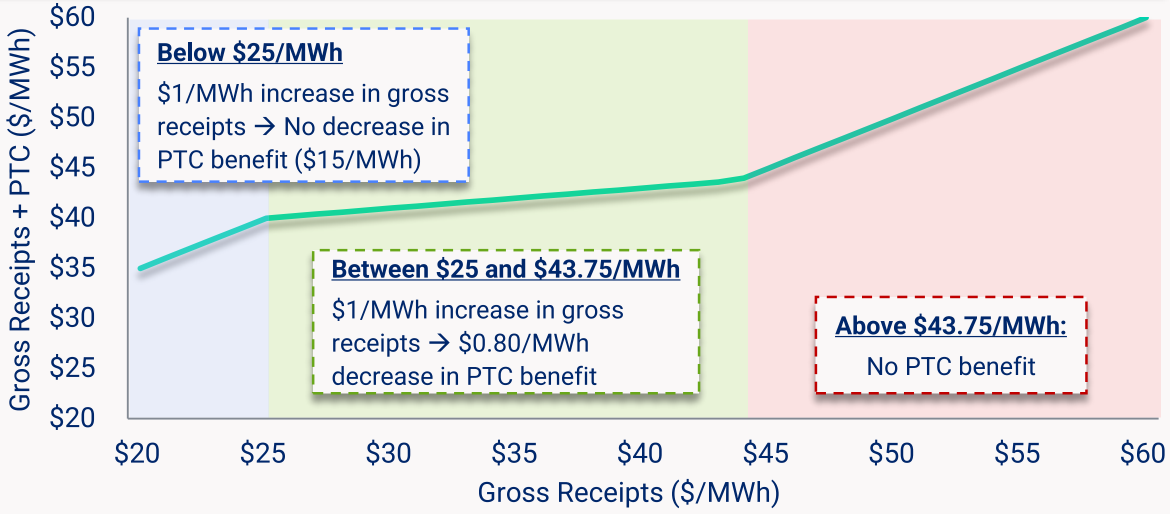
Nuclear PTC Overview

- Starting in 2024, the PTC benefit in a given year is calculated based on that year's annual "gross receipts" divided by annual generation
- Talen's current assumption for gross receipts: physical energy margin, capacity revenues and ancillary revenues; no hedges or sales to affiliates (i.e., Cumulus)
- Max potential benefit of $15/MWh[1] in 2024, escalating with inflation
- PTC decreases linearly for gross receipts between $25/MWh and $43.75/MWh and is fully phased out at gross receipts above $43.75/MWh
- 2025+ Inflation Adjustment = $\frac{\text{GDP price deflator in preceding year}}{\text{GDP price deflator in 2023}}$

PTC Monetization

- IRA has transfer procedures that permit project owners to transfer (sell) their PTCs to unrelated taxpayers, and proposed regulations were recently released[2]
  - Credit can be sold to multiple buyers and must be paid for in cash
  - Credit becomes eligible for transfer payment starting the first day of the tax year generated through the tax return filing date for that year
  - Advanced contractual arrangements are allowed, as long as actual cash payments are made within the allowed payment window
  - PTC can be carried back up to 3 years to offset past tax liability

Nuclear PTC Impact[1]



Illustrative PTC Inflation Adjustments

Year	2% Inflation			3% Inflation		
	Maximum PTC[3]	Gross Receipts Threshold[3]	Receipts At Which PTC = $0	Maximum PTC[3]	Gross Receipts Threshold[3]	Receipts At Which PTC = $0
2024	$15.00	$25.00	$43.75	$15.00	$25.00	$43.75
2025	$15.00	$26.00	$44.75	$15.00	$26.00	$44.75
2026	$15.00	$26.00	$44.75	$15.00	$27.00	$45.75
2027	$15.00	$27.00	$45.75	$17.50	$27.00	$48.88
2028	$17.50	$27.00	$45.75	$17.50	$28.00	$49.88
2029	$17.50	$28.00	$49.88	$17.50	$29.00	$50.88
2030	$17.50	$28.00	$49.88	$17.50	$30.00	$51.88
2031	$17.50	$29.00	$50.88	$17.50	$31.00	$52.88
2032	$17.50	$29.00	$50.88	$20.00	$32.00	$57.00

Note: Per U.S. Congress. Talen is awaiting additional regulatory guidance about PTC mechanics.

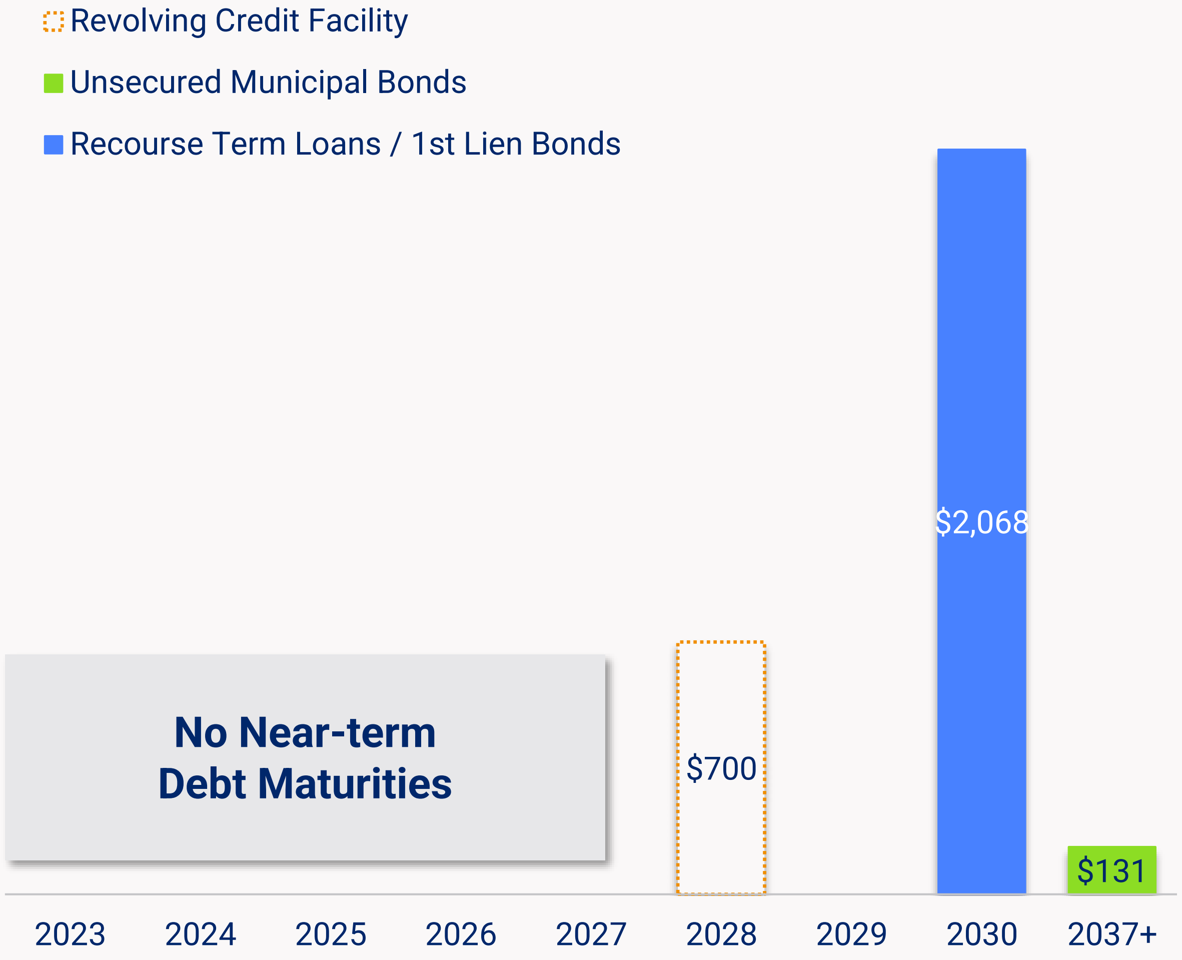
1. *Starting in 2024 and excluding inflation, PTC has a "base" amount of $3/MWh, which can increase 5x to $15/MWh under certain wage requirements that Susquehanna expects to meet.*
2. *Represents a subset of IRA guidance released to date.*
3. *Maximum PTC increases in increments rounded to the nearest $2.50/MWh. Gross Receipts Threshold increases in increments rounded to the nearest $1/MWh.*

No Recourse Debt Maturities Until 2028

Recourse Net Debt Summary

($mm)	**11/10/2023**
Unrestricted Cash	$289
2028 Revolver ($700mm capacity)	$-
2030 Term Loan B	868
2030 Term Loan C (Cash Held in Restricted Accounts)	470
2030 Secured Notes	1,200
Total Secured Debt (Excludes Term Loan C)	**$2,068**
PEDFA Municipal Bonds	131
Total Debt (Excludes Term Loan C)	**$2,199**
Net Debt	***$1,910***

Recourse Debt Maturity Summary[1]



Note: Excludes Cumulus entities and $75mm bilateral secured LC facility. Term Loan C not included in debt totals, given that the cash proceeds associated with this facility are held in restricted accounts to secure LCs.

1. Maturity balances shown disregard annual mandatory amortization on the Term Loan B. Excludes $75mm bilateral secured LC facility and $470mm secured cash-funded term loan C facility.

Reconciliation of Non-GAAP Financial Measures

Definitions of Non-GAAP Financial Measures

Non-GAAP Financial Measures

The following non-GAAP financial measures of Adjusted EBITDA and Adjusted Free Cash Flow discussed below, which we use as measures of our performance and liquidity, are not financial measures prepared under GAAP. Non-GAAP financial measures do not have definitions under GAAP and may be defined and calculated differently by, and not be comparable to, similarly titled measures used by other companies. Non-GAAP measures are not intended to replace the most comparable GAAP measures as indicators of performance. Generally, a non-GAAP financial measure is a numerical measure of financial performance, financial position, or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP. Management cautions readers of this financial information not to place undue reliance on these non-GAAP financial measures, but to also consider it with its most directly comparable GAAP measure. Non-GAAP measures have limitations as an analytical tool and should not be considered in isolation or as a substitute for analyzing our results as reported under GAAP.

Adjusted EBITDA

We use Adjusted EBITDA to: (i) assist in comparing operating performance and readily view operating trends on a consistent basis from period to period without certain items that may distort financial results; (ii) plan and forecast overall expectations and evaluate actual results against such expectations; (iii) communicate with our Board of Directors, shareholders, creditors, analysts, and the broader financial community concerning our financial performance; (iv) set performance metrics for the Company's annual short-term incentive compensation; and (v) assess compliance with our indebtedness.

Adjusted EBITDA is computed as net income (loss) adjusted, among other things, for certain: (i) nonrecurring charges; (ii) non-recurring gains; (iii) non-cash and other items; (iv) unusual market events; (v) any depreciation, amortization, or accretion; (vi) mark-to-market gains or losses; (vii) gains and losses on the NDT; (viii) gains and losses on asset sales, dispositions, and asset retirement; (ix) impairments, obsolescence, and net realizable value charges; (x) interest expense; (xi) income taxes; (xii) legal settlements, liquidated damages, and contractual terminations; (xiii) development expenses; (xiv) Cumulus Digital and noncontrolling interests; and (xv) other adjustments. Such adjustments are computed consistently with the provisions of our indebtedness to the extent that they can be derived from the financial records of the business.

Additionally, we believe investors commonly adjust net income (loss) information to eliminate the effect of nonrecurring restructuring expenses, and other non-cash charges which vary widely from company to company, from period to period, and impair comparability. We believe Adjusted EBITDA is useful to investors and other users of the financial statements to evaluate our operating performance because it provides an additional tool to compare business performance across companies and across periods. Adjusted EBITDA is widely used by investors to measure a company's operating performance without regard to such items described above. These adjustments can vary substantially from company to company depending upon accounting policies, book value of assets, capital structure and the method by which assets were acquired. Adjusted EBITDA is not intended to replace “Net Income Attributable to Stockholders (Successor) / Member (Predecessor),” which is the most comparable measure calculated and presented in accordance with GAAP.

Adjusted Free Cash Flow

Adjusted Free Cash Flow, a key non-GAAP financial measure, is a useful metric utilized by our chief operating decision makers to evaluate cash flow activities. Adjusted Free Cash Flow is computed by Adjusted EBITDA reduced by capital expenditures including nuclear fuel but excluding development, growth and (or) conversion capital expenditures, cash payments for interest and finance charges, cash payments for taxes (excluding income taxes paid from the nuclear facility decommissioning trust (“NDT”)) and pension contributions.

We believe Adjusted Free Cash Flow is useful to investors and other users of our financial statements in evaluating our operating performance because it provides them with an additional tool to determine a company's ability to meet future obligations and to compare business performance across companies and across periods. Adjusted Free Cash Flow is widely used by investors to measure a company's levered cash flow without regard to items such as ARO settlements; income taxes paid from the NDT; nonrecurring development, growth and conversion expenditures; and cash proceeds or payments for the sale or purchase of assets, which can vary substantially from company to company and period to period depending upon accounting methods and book value of assets, capital structure and the method by which assets were acquired.

Adjusted EBITDA / Adjusted Free Cash Flow Reconciliation (Unaudited)

The reconciliation from "Net Income (Loss)" presented on the Condensed Consolidated Statements of Operations to Adjusted EBITDA and Adjusted Free Cash Flow for:

($Millions)	Three Months Ended Sep 30, 2023	Nine Months Ended Sep 30, 2023
Net Income (Loss)	**$(76)**	**$ 420**
Less: Bankruptcy, Liability Management, and Restructuring Activities		
Reorganization (gain) loss, net (a)	-	(799)
Operational and other restructuring activities	(1)	38
Bankruptcy exit fees	5	9
Total Bankruptcy, Liability Management, and Restructuring Activities	**$ 4**	**$ (752)**
Other Adjustments		
Interest expense and other finance charges	73	269
Income tax (benefit) expense	(16)	215
Depreciation, amortization and accretion	66	294
Nuclear fuel amortization	47	105
Unrealized (gain) loss on commodity derivative contracts	84	106
Nuclear decommissioning trust funds (gain) loss, net	24	(72)
Stock-based and other long-term incentive compensation expense	9	11
(Gain) loss on non-core asset sales, net (b)	-	(50)
Non-cash impairments	2	383
Legal settlements and litigation costs (c)	17	18
Unusual market events (d)	-	15
Net periodic defined benefit cost (e)	1	(2)
Development expenses	5	17
Non-cash fuel inventory net realizable value and obsolescence charges (f)	(2)	57
Cumulus Digital activities and noncontrolling interest	(14)	(36)
Total Adjusted EBITDA	**$ 224**	**$ 998**
Capital expenditures, net	(48)	(167)
Interest and finance charge payments	(27)	(209)
Tax payments	(2)	(8)
Pension contributions	(1)	(5)
Total Adjusted Free Cash Flow	**$ 146**	**$ 609**

Notes

a) *Represents amounts incurred directly related to Talen's bankruptcy. See Note 3 in Notes to the Interim Financial Statements for additional information.*
b) *See Note 21 in Notes to the Interim Financial Statements for additional information.*
c) *See Note 12 in Notes to the Interim Financial Statements for additional information for expenses incurred in 2023.*
d) *2023 relates to the true up of capacity penalty charges due to the receipt of final amounts from PJM compared to estimates recognized in 2022 related to Winter Storm Elliot.*
e) *Consists of postretirement benefits service cost and postretirement benefits gain (loss).*
f) *See Note 8 in Notes to the Interim Financial Statements for additional information.*

TALEN ENERGY

Adjusted EBITDA / Adjusted Free Cash Flow Reconciliation: 2023 Guidance

The reconciliation from forecasted "Net Income (Loss)" to Adjusted EBITDA and Adjusted Free Cash Flow for the year ended December 31: ($mm)

($Millions)	**2023E (Narrowed)**		**2023E (Original)**	
	Low	**High**	**Low**	**High**
Net Income (Loss)	**$295**	**$400**	**$395**	**$570**
Adjustments				
Bankruptcy, liability management, and restructuring activities (a)	$(750)	$(750)	$(770)	$(770)
Interest expense and other finance charges	335	335	330	330
Income tax (benefit) expense	200	200	240	240
Depreciation, amortization and accretion	365	365	370	370
Nuclear fuel amortization	130	130	105	105
Unrealized (gain) loss on commodity derivative contracts	145	145	100	100
Nuclear decommissioning trust funds (gain) loss, net	(70)	(70)	(100)	(100)
Non-cash impairments	380	380	420	420
Other	40	40	(20)	(20)
Adjusted EBITDA	**$1,070**	**$1,175**	**$1,070**	**$1,245**
Capital expenditures, net (b)	$(210)	$(210)	$(220)	$(240)
Interest and finance charge payments (c)	(305)	(305)	(300)	(300)
Tax payments (d)	(15)	(15)	(20)	(20)
Pension contributions	(20)	(20)	(30)	(50)
Various items	30	(40)	50	(40)
Adjusted Free Cash Flow	**$550**	**$585**	**$550**	**$595**

Notes

a) *Represents amounts incurred directly related to Talen's bankruptcy. See Note 3 in Notes to the Condensed Consolidated Financial Statements for additional information.*

b) *Excluding capital expenditures associated with Cumulus entities and Montour and H.A. Wagner fuel conversions.*

c) *Excluding $117mm related to one-time bankruptcy costs and restructuring interest & fees consisting of make-whole, default interest, and interest on interest.*

d) *Excluding income taxes paid from the NDT.*

Adjusted EBITDA / Adjusted Free Cash Flow Reconciliation: 2024 Guidance

The reconciliation from forecasted "Net Income (Loss)" to Adjusted EBITDA and Adjusted Free Cash Flow for the year ended December 31: ($mm)

($Millions)	**2024E**	
	Low	**High**
Net Income (Loss)	**$(20)**	**$180**
Adjustments		
Interest expense and other finance charges	$270	$270
Income tax (benefit) expense	25	25
Depreciation, amortization and accretion	290	290
Nuclear fuel amortization	90	90
Unrealized (gain) loss on commodity derivative contracts	(45)	(45)
Other	(10)	(10)
Adjusted EBITDA	**$600**	**$800**
Capital expenditures, net (a)	$(165)	$(195)
Interest and finance charge payments	(245)	(245)
Tax payments (b)	(5)	(15)
Pension contributions	(35)	(45)
Adjusted Free Cash Flow	**$150**	**$300**

Notes

a) Excluding capital expenditures associated with Cumulus entities and Montour and H.A. Wagner fuel conversions.

b) Excluding income taxes paid from the NDT.

Adjusted EBITDA / Adjusted Free Cash Flow Reconciliation: Jan 27th Forecast

The reconciliation from forecasted "Net Income (Loss)" to Adjusted EBITDA and Adjusted Free Cash Flow for the year ended December 31: ($mm)

($Millions)	**2024E**
Net Income (Loss)	**$(34)**
Adjustments	
Interest expense and other finance charges (a)	$173
Income tax (benefit) expense (b)	(12)
Depreciation, amortization and accretion	488
Nuclear fuel amortization	89
Unrealized (gain) loss on commodity derivative contracts	(77)
Nuclear decommissioning trust funds (gain) loss, net	-
Restructuring costs and other (c)	26
Adjusted EBITDA	**$653**
Capital expenditures, net (d)	$(236)
Interest and finance charge payments	(179)
Tax payments (e)	(22)
Pension contributions	(28)
Adjusted Free Cash Flow	**$188**

Notes

a) *Illustrative interest costs to service indebtedness less capitalized interest, before final terms were determined.*
b) *Provision for federal and state income tax; actual cash taxes will differ.*
c) *Expenses associated with Chapter 11 restructuring, development expenses and one-time retention bonus expenses, among other items.*
d) *Excluding capital expenditures associated with Cumulus entities and Montour and H.A. Wagner fuel conversions.*
e) *Excluding income taxes paid from the NDT.*