

Investor Presentation

Talen Energy Corporation | July 9, 2024



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Agenda



1

Business
Review

2

Financial
Review

3

Q&A

Talen's Building Blocks of Value



First-mover on providing “behind-the-meter” power to data center customers, well-positioned for repeatability

- ✓ First-of-its-kind transaction with Amazon Web Services (“AWS”) to provide up to 960 MW of carbon-free power at premium long-term fixed prices
- ✓ Creates blueprint for exploring additional “behind-the-meter” data center opportunities across the fleet

Only IPP without retail load that directly benefits from power demand growth through dispatchable generation in premium markets

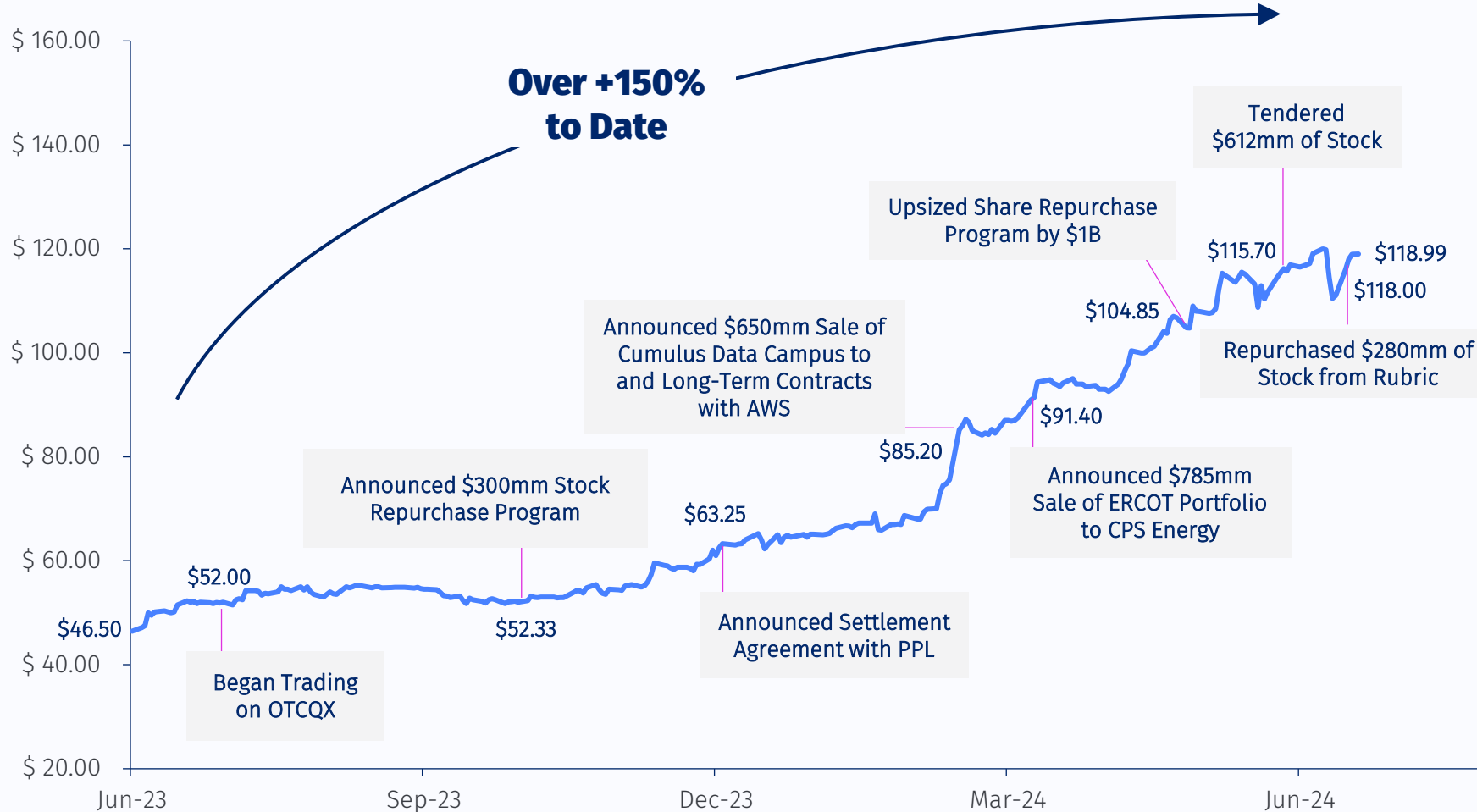
- ✓ Significant exposure to favorable pure-play merchant power market dynamics, particularly in premium PJM zones
- ✓ Power price increases, spark spread expansion and upward trend of capacity revenues drive robust cash flow generation

Disciplined leadership team with track record of reliable, safe & cost-effective operations, unlocking value and shareholder returns

- ✓ Achieved >\$1.1B of Adjusted EBITDA in 2023 and multiple successful monetizations
- ✓ Over \$900mm of capital returned to date through stock repurchases, with continued commitment to shareholder returns

Creating Shareholder Value, with More Upside to Unlock

Talen Share Price (\$/share)



Future Value Drivers

- 
 Strategically evaluate additional opportunities to supply power to data center customers
- 
 Capitalize on growing demand and tightening supply in wholesale power markets
- 
 Continue capital allocation focused on shareholder returns

Source: FactSet; market data as of July 5, 2024.

Power Markets: Then & Now

Past 10 – 15 Years

Stagnant power demand growth

Substitution of 5x16 commercial demand for 7x24 industrial demand in the northeast

Excess capacity causes high retirement of coal, oil, and inefficient gas without impact to reliability

Significant penetration of intermittent renewable generation

Flat to decreasing capacity & power prices

Abundance of cheap natural gas

Today

Significant increases in power demand growth forecasts

7x24 demand driven by data centers

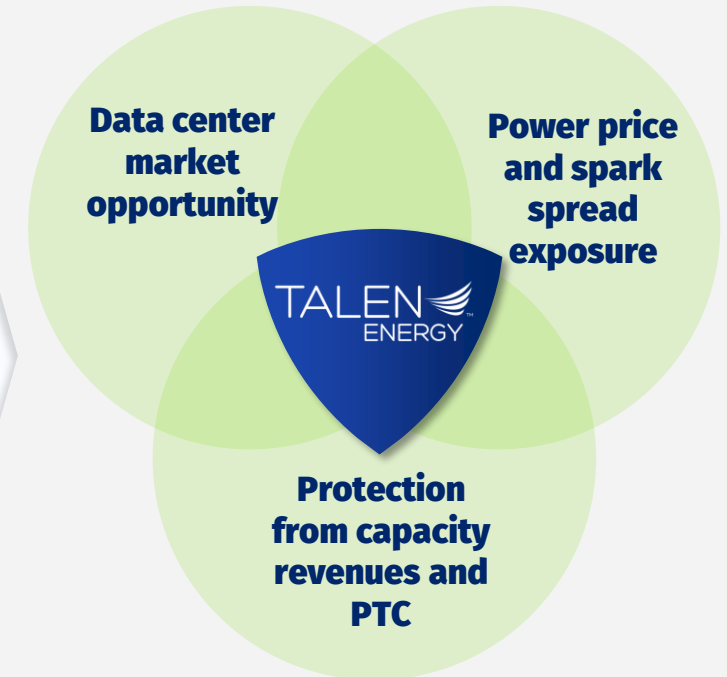
Minimal excess capacity and few dispatchable assets, leading to reliability actions

Development queues are still mostly renewables, without solution for intermittency, while thermal new builds have long lead times

Increasing energy curves and potential increase in capacity revenues

Margins expanding with natural gas prices normalizing

Talen Captures All of These Catalysts



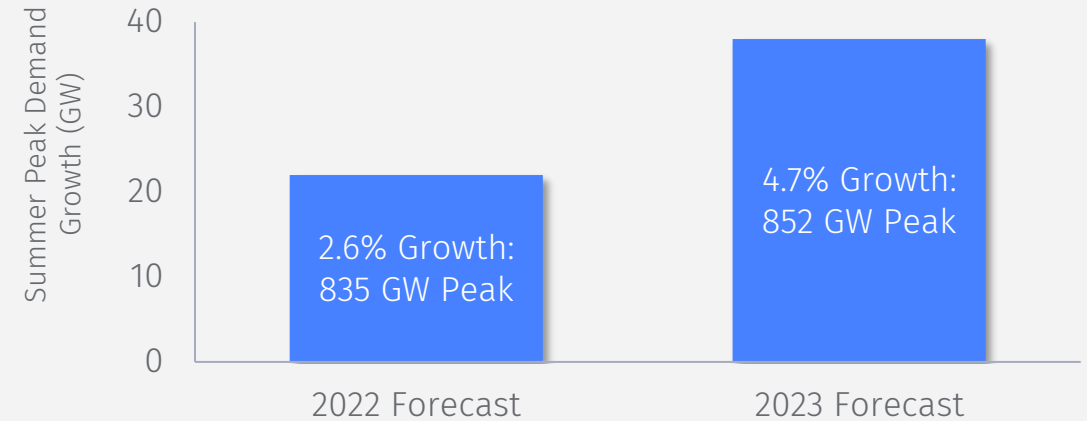
Strong Power Demand Growth For the First Time in Years

- Over the past year, grid planners have nearly **doubled their 5-year power demand growth forecast**¹
- Much of the new growth is demanding **clean, reliable, zero-carbon energy** to balance net zero targets and need for grid stability

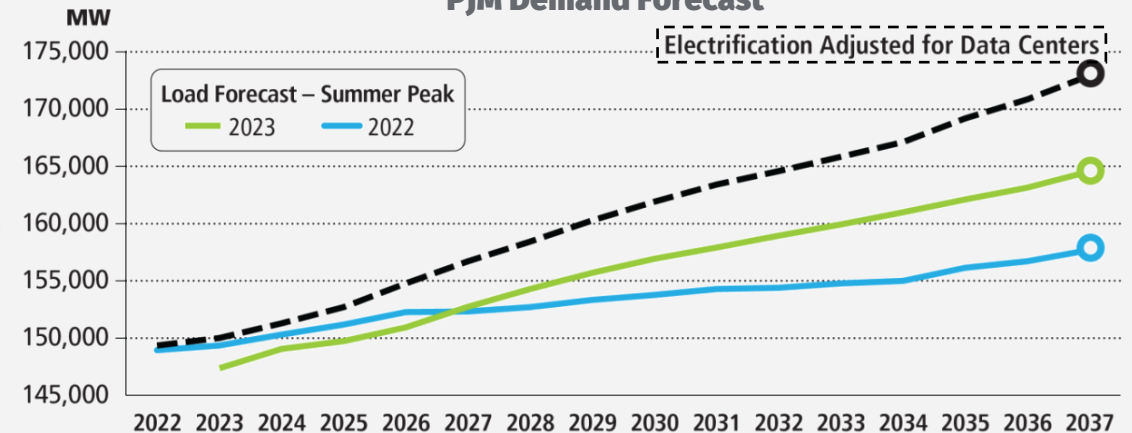
Spotlight on: PJM Power Demand Forecast

- PJM's long-term demand forecast has increased noticeably over the last year
- "Unprecedented" data center demand growth in multiple areas¹, including data center hotspot Loudon County, VA

5-year U.S. Growth Forecast¹



PJM Demand Forecast²



1. Grid Strategies LLC, "The Era of Flat Power Demand is Over".
 2. PJM Energy Transition: "Resource Retirements, Replacements and Risks".

Talen Portfolio at a Glance

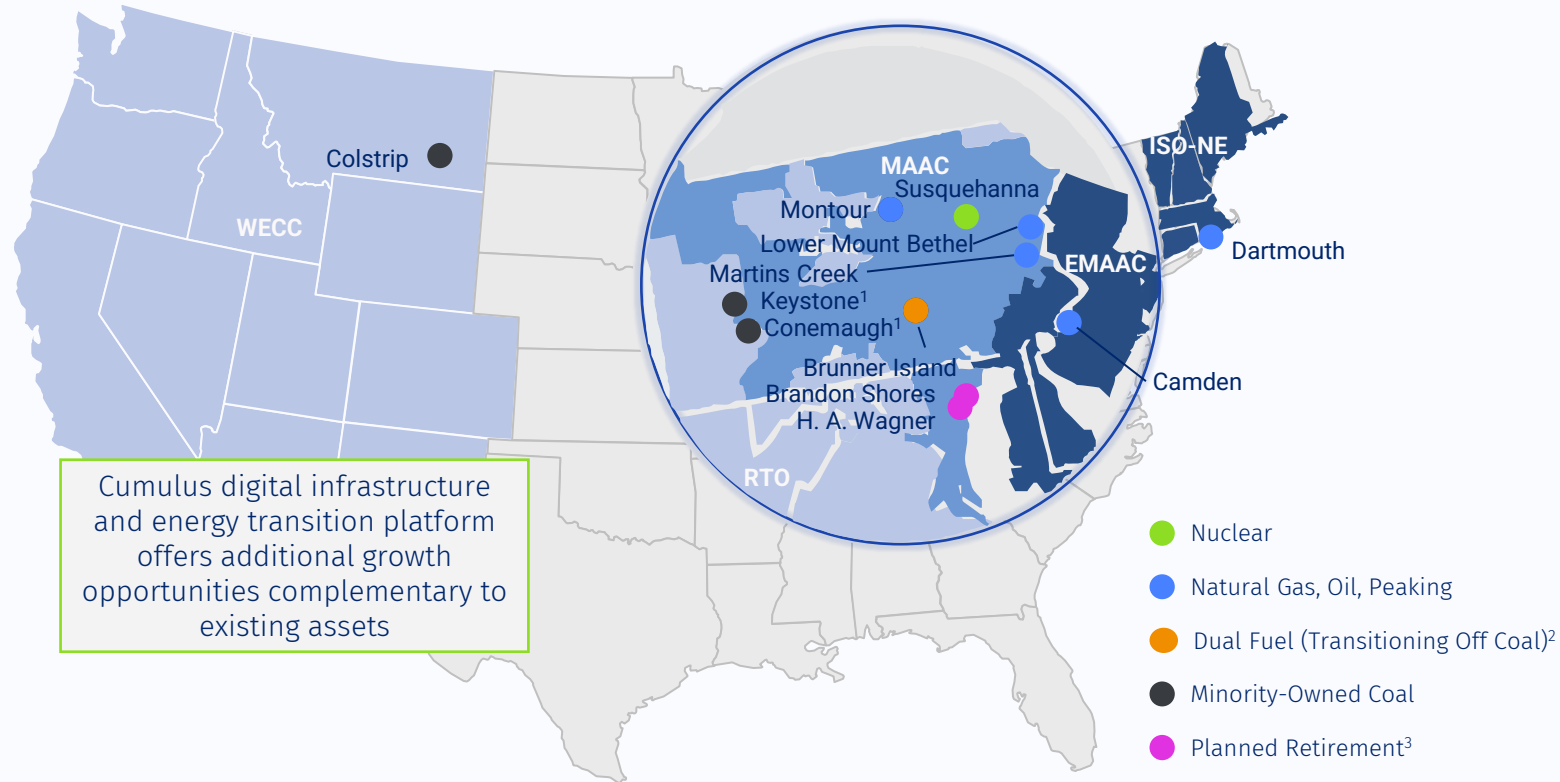
Strategically located ~10.7 GW generation portfolio, including ~2.2 GW of nuclear generation, that offers both stable cash flows and upside trajectory

10.7 GW
Generation portfolio

12
Generation facilities

3
Markets served

~2,000
employees



Note: Fleet as of 3/31/2024, pro forma for Texas asset sales. Map excludes 13 MW of PJM peaking units.

- Coal-fired electric generation is required to cease by year-end 2028.
- Coal-to-dual fuel conversion completed in 2016; coal-fired generation is restricted during the EPA Ozone Season (May 1 to September 30 of each year) and is required to cease by year-end 2028, with the option of earlier coal retirement at the Company's discretion.
- We have provided notice to PJM of deactivation of Wagner and Brandon Shores, effective June 1, 2025. PJM subsequently notified Talen that these facilities are needed for reliability. See Note 10 in Notes to the Interim Financial Statements for additional information on the Brandon Shores and H.A. Wagner deactivations. Filed RMR Cost of Service filing on April 18, 2024.

Susquehanna: 24x7 Carbon-Free Energy



6th largest U.S. nuclear facility, with dual units and 2.5 GW gross capacity¹



Units commissioned in 1982 and 1984, licensed through 2042 and 2044, and beginning work on additional 20-year extensions



Over 50% of Talen's annual generation



Multiple revenue sources: capacity payments, wholesale market sales and long-term contracts with AWS, supported by up to \$15/MWh² nuclear PTC



Top-decile cost efficiency³



Nuclear fuel fully contracted through 2025 outage and substantially through 2028 outage

1. Talen holds a 90% interest, or 2.2 net GW.

2. Maximum PTC benefit in 2024, excluding impact of inflation.

3. Based on 2023 average EUCG benchmarking of all-in costs across the U.S. nuclear industry, which includes opex, capex and allocated corporate G&A.



Transformative Data Center Transaction

Net sale proceeds of ~\$361mm to be deployed in line with capital allocation and **shareholder returns strategy**

Long-term PPA with investment grade counterparty establishes contracted cash flows and growth trajectory for Susquehanna

Talen will receive **additional revenue** from AWS related to sales of carbon-free energy to the grid (“CFE”)

Uplift to Adjusted EBITDA starts in 2024 and grows with campus buildout

Campus sale for \$650mm reflects **attractive return of >2.5x MOIC** on prior growth investments in Cumulus Data



Incremental Value Creation from AWS Contracts

Illustrative Incremental Impact Above PTC on Adjusted EBITDA

(\$mm/year, rounded to nearest \$5mm)

◆ 960 MW Power Sales + Additional Revenue Related to CFE

◆ 480 MW Power Sales + Additional Revenue Related to CFE

◆ Contractual Minimums



Year-End Power Sales: 480 MW & 960 MW Cases

-- 120 / 120 240 / 240 480 / 480 480 / 840 480 / 960

PTC Reference Price (\$/MWh)

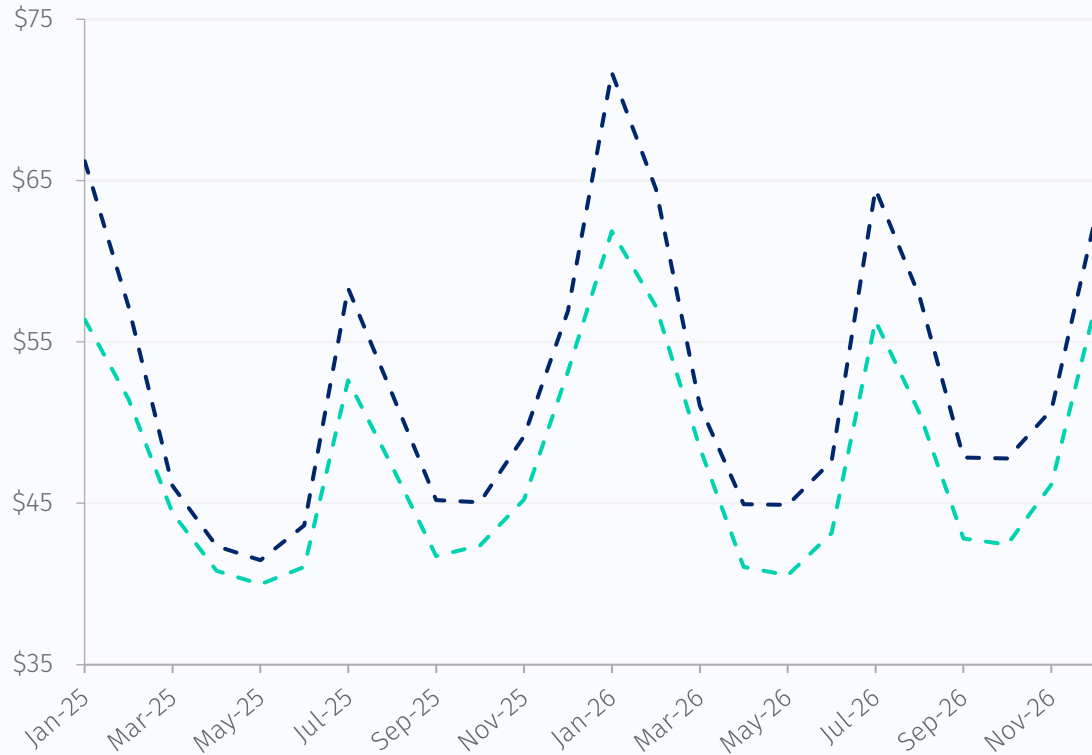
\$44 \$45 \$45 \$46 \$51 \$54

Notes

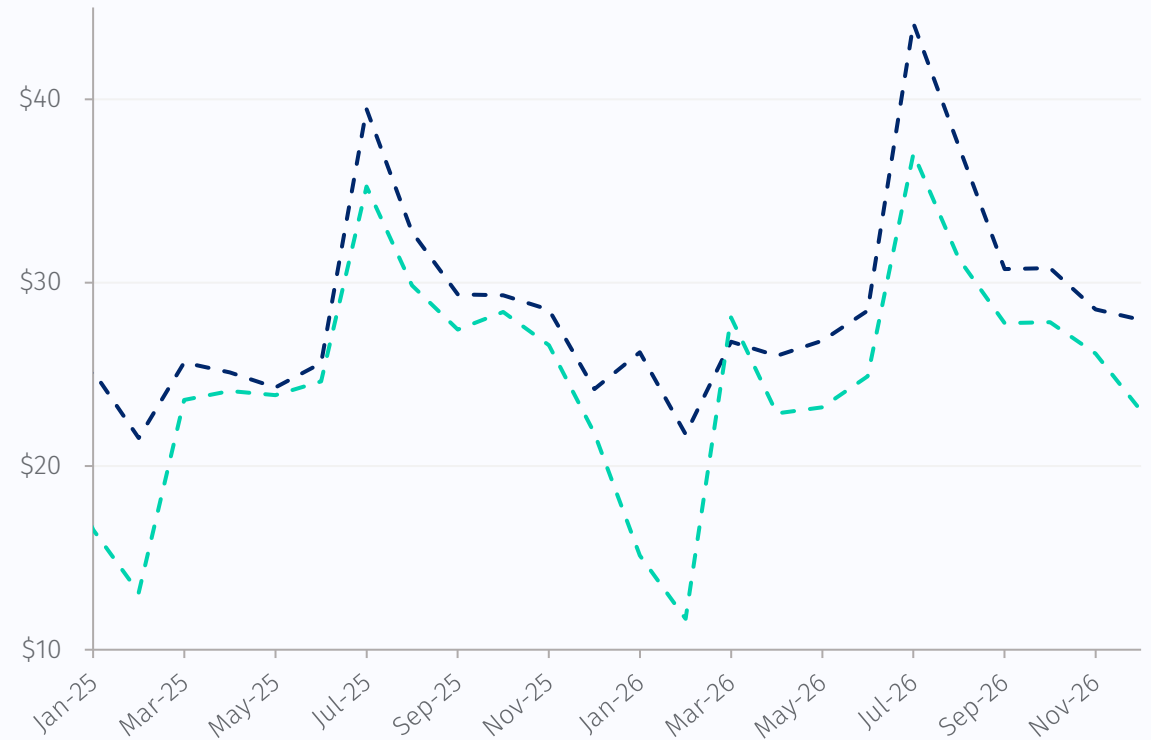
- Incremental impact based on comparison of (1) Susquehanna revenues including AWS power sales and additional revenue from AWS related to sales of CFE vs. (2) Susquehanna revenues assuming the "PTC Reference Price," which represents max price of the nuclear PTC floor (assuming 2% annual inflation) until "Complete Campus (2034 – 2042 Avg.)"
- Reference pricing shown for 2034 – 2042 represents the simple average of SSES node energy prices + MAAC capacity prices; projected SSES node prices are assumed to be at a discount to West Hub energy prices; all of these reference prices are for illustrative purposes only and not Company projections of long-dated energy or capacity prices
- Financial outcomes and schedules depicted here are base cases subject to confidential contractual provisions that may affect the non-minimum commitment depictions in either direction; outcomes may also be impacted by IRS guidance regarding the nuclear PTC

2025 & 2026 PJM Power Prices Rising & Sparks Expanding

PJM West Hub ATC Power Prices (\$/MWh)



PJM West Hub ATC Spark Spreads (\$/MWh)



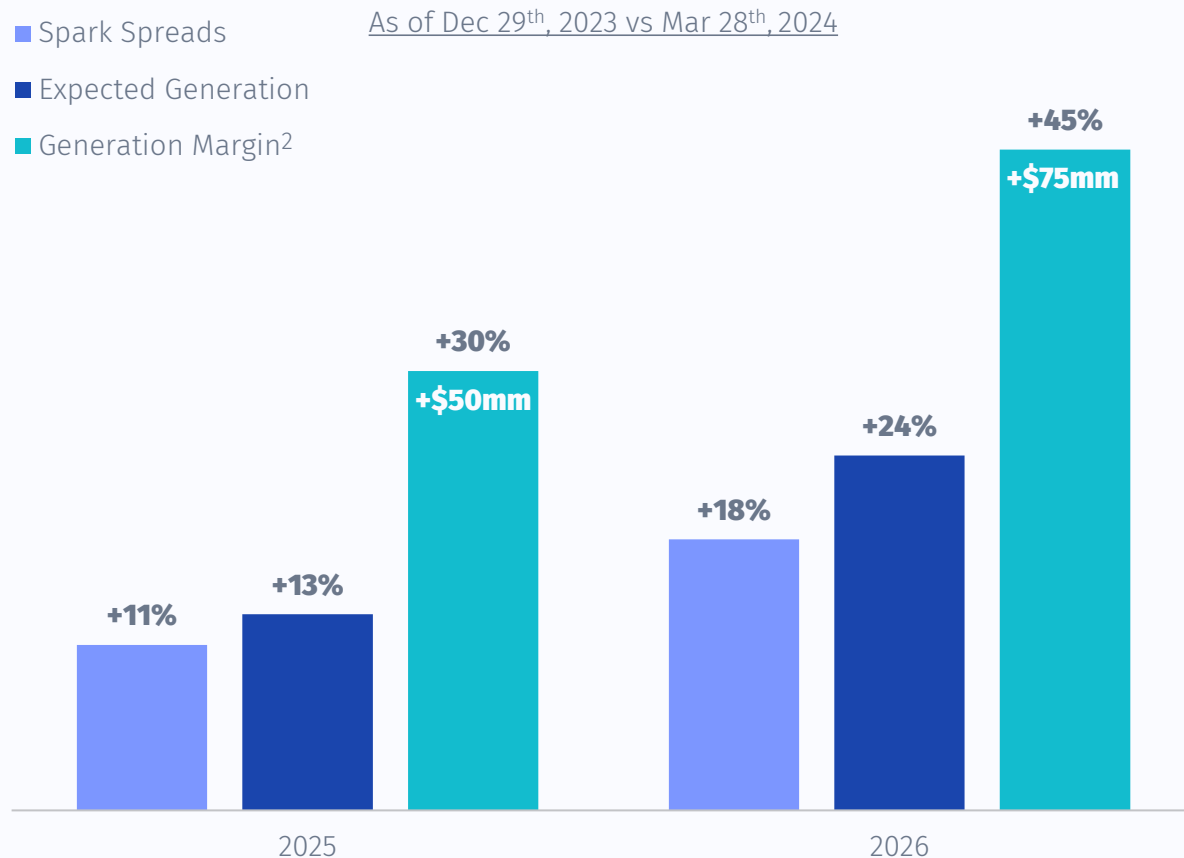
Since YE 2023, PJM forward prices have increased and forward spark spreads have expanded in 2025 and 2026

Note: Spark spreads are computed based on day-ahead West Hub ATC prices, TETCO M3 gas prices, and a heat rate of 7 MMBtu/MWh.

— Pricing as of Dec 29, 2023
- - - Pricing as of Mar 28, 2024

Talen's Gas Fleet Benefits from Spark Spread Expansion

Illustrative Impact of PJM ATC Spark Spread Expansion on Talen's Gas Fleet¹



Commentary

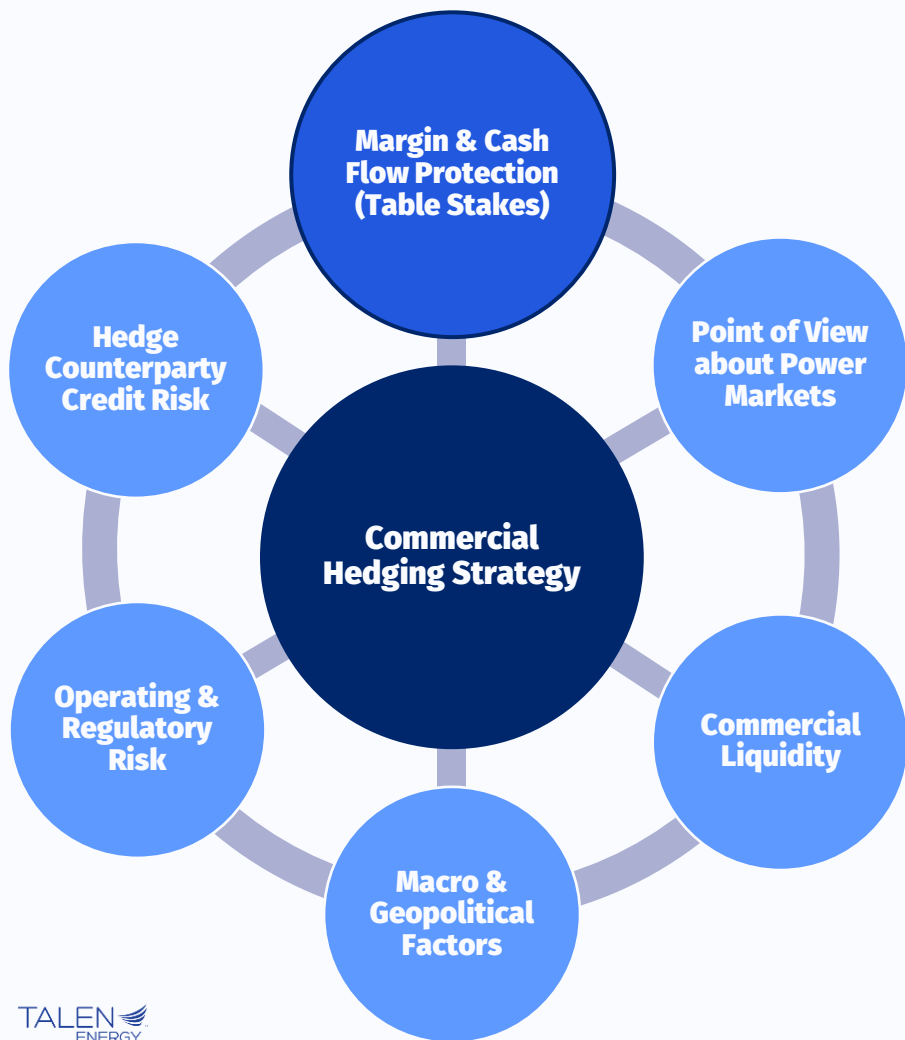
- When spark spreads expand, more gas generation becomes economic, and existing generation becomes more economic
- Higher expected volumes and expanded spark spreads results in increased generation margin
- Between Dec 29th, 2023 and Mar 28th, 2024:
 - **2025:** Spark spreads **+11%** and expected generation and generation margin of Talen's gas fleet **+13%** and **+30%**, respectively
 - **2026:** Spark spreads **+18%** and expected generation and generation margin of Talen's gas fleet up **+24%** and **+45%**, respectively

Note: Spark spreads are computed based on day-ahead West Hub ATC prices, TETCO M3 gas prices, and a heat rate of 7 MMBtu/MWh.

1. Approximately 1.3 GWs of generation as of 3/28/2024, including Brunner Island (May – Sep only), Camden, Lower Mount Bethel, Martin's Creek and Montour.

2. Represents unhedged gross margin from electric generation and includes impact on incremental and existing generation. Excludes capacity revenues, ancillary services, transport fees and other margins. Dollar amounts rounded to the nearest \$5mm.

Talen's Hedging Strategy Well-Positioned to Monetize the Recent Market Environment



Hedging targets are based on % of deterministic generation measured at end of each calendar year:

- Prompt Months 1 – 12: 60% – 80%
- Prompt Months 13 – 24: 40% – 60%

Total Fleet: % Hedged and Power Price Sensitivities as of 3/28/2024	Apr – Dec 2024	2025	2026	
% Hedged	88%	38%	17%	
Gross Margin¹ Impact of Change in Power Price²	+\$10/MWh	+\$40mm	+\$265mm	+\$335mm
	+\$5/MWh	+\$20mm	+\$130mm	+\$170mm
	-\$5/MWh	-\$10mm	-\$65mm	-\$165mm
	-\$10/MWh	-\$15mm	-\$115mm	-\$285mm

Talen's commercial hedging strategy preserves margin, provides cash flow stability and generates upside in a variety of market conditions

Note: Assuming 3/28/2024 pricing. Excludes ERCOT starting May 2024. Includes the impact of the Nuclear PTC in each respective year.

1. Gross Margin is comprised of the following captions presented on the Condensed Consolidated Statement of Operations: (i) Capacity revenues, (ii) Energy and other revenues, (iii) Fuel and energy purchases, and (iv) Unrealized gain (loss) on derivative instruments. Gross Margin includes the effect of hedges and revenues associated with the Nuclear PTC.
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. Figures rounded to nearest \$5mm.

2024 Performance to Date and Guidance

	Q1 2024	2024 Guidance
Adjusted EBITDA	\$289 million	\$600 – \$800 million
Adjusted Free Cash Flow	\$194 million	\$160 – \$310 million

- **Strong Q1 results, with hedge performance protecting margin in the face of mild winter prices**
- **Forward spark spread expansion and lower debt service costs support 2024 guidance while earnings from ERCOT plants cease after April 2024**

Note: Please refer to Reconciliation of Non-GAAP Financial Measures section of the Appendix for more detail on Adjusted EBITDA and Adjusted Free Cash Flow; Includes contribution from the ERCOT generation fleet through April 2024 and Cumulus.

Maintaining Modest Leverage and Ample Liquidity

Capitalization Summary *(\$mm unless otherwise noted)* **May 6, 2024**

Unrestricted Cash	\$1,349
Secured Debt	\$2,063
Total Debt	\$2,194
Net Debt	\$845

Credit Metrics

2024E Adjusted EBITDA Midpoint	\$700
<i>Net Debt / 2024E Adjusted EBITDA</i>	~1.2x
<i>Total Liquidity</i> ¹	\$1,895

Successful Term Loan Refinancing

- Repriced \$1.3B of Term Loans B and C from S+4.50% to S+3.50%, generating ~\$13mm in estimated annual interest savings
- Obtained waiver on using ERCOT sale proceeds for debt paydown and achieved amendments to other provisions, enabling greater capital allocation flexibility

Successful PEDFA Remarketing

- Terminated \$133mm LCs that previously backstopped the PEDFAs, providing increased capacity under Term Loan C

**Net Leverage Significantly Less Than 3.5x
and Prioritizing Shareholder Returns**

Note: Please refer to Reconciliation of Non-GAAP Financial Measures section of the Appendix for more detail on Adjusted EBITDA; Includes contribution from the ERCOT generation fleet through April 2024 and Cumulus. 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 \$1,349mm unrestricted cash plus \$546mm revolver availability (net of outstanding LCs on the revolver) at 5/6/2024.

Over \$900mm of Capital Returned to Shareholders to Date

**Over \$100mm of
SRP Capacity
Remaining**



Given Talen's ample liquidity and modest leverage, the Talen Board has authorized total SRP capacity of ~\$1.04B¹ through YE 2025



Talen is committed to returning capital to its shareholders and executes repurchases on an opportunistic basis



Repurchased ~8mm shares to date for ~\$930mm (~\$114/share)¹



Stock price remained strong after completion of several large repurchases: \$612mm tender offer and \$280mm Rubric repurchase

1. Excludes broker fees.

Talen's Value Proposition

Susquehanna Nuclear Facility

- ◆ 6th largest U.S. nuclear facility with first-of-its-kind data center transaction with AWS
- ◆ Significant additional upside from exposure to favorable merchant power market dynamics, with downside protection from nuclear PTC
- ◆ Licensed through 2042/2044, and beginning work on additional 20-year extensions

Premium PJM Gas Fleet

- ◆ Diverse dispatch (from baseload to peaking facilities) is increasingly important in the face of significant load growth
- ◆ Talen's gas fleet is largely located in premium PJM capacity zones
- ◆ These favorable locations, paired with spark spread expansion and increased power market volatility, drive multiple paths to value creation



Data Center Co-Location

- ◆ AWS to develop up to 960 MW data center campus directly connected to carbon-free Susquehanna nuclear facility
- ◆ Talen to supply long-term, carbon-free power to the campus from Susquehanna through fixed-price power commitments inclusive of premium for carbon free energy
- ◆ Long-term PPA with investment grade counterparty drives cash flow certainty and uplift for Susquehanna

Critical Reliability Assets

- ◆ PJM has minimal line of sight to significant firm capacity newbuilds, while development pipeline largely contains intermittent renewables
- ◆ Several Talen plants are positioned to help PJM address expected load growth amidst retirements

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							
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
Montour	PA	Natural Gas	Intermediate	100%	1,508	1972 – 1973	PJM-PPL
Dartmouth	MA	Natural Gas	Peaker	100%	80	1992 – 2009	ISO-NE SEMA
Peaking units	MD	Oil	Peaker	100%	13	1967	PJM-BGE
Camden	NJ	Natural Gas	Peaker	100%	145	1993	PJM-PSEG
Dual Fuel (Transitioning Off Coal)							
Brunner Island ^{3, 5}	PA	Natural Gas / Coal (Dual Fuel)	Intermediate	100%	1,429	1961 – 1969	PJM-PPL
Minority-Owned Coal							
Colstrip Unit 3 ²	MT	Coal	Baseload	30%	222	1984 – 1986	WECC
Conemaugh ^{2, 5}	PA	Coal	Intermediate	22%	386	1970 – 1971	PJM-MAAC
Keystone ^{2, 5}	PA	Coal	Intermediate	12%	214	1967 – 1968	PJM-MAAC
Planned Retirement							
Brandon Shores ⁴	MD	Coal	Intermediate	100%	1,283	1984 – 1991	PJM-BGE
H.A. Wagner ⁴	MD	Oil	Peaker	100%	834	1956 – 1972	PJM-BGE
Total					10,664		

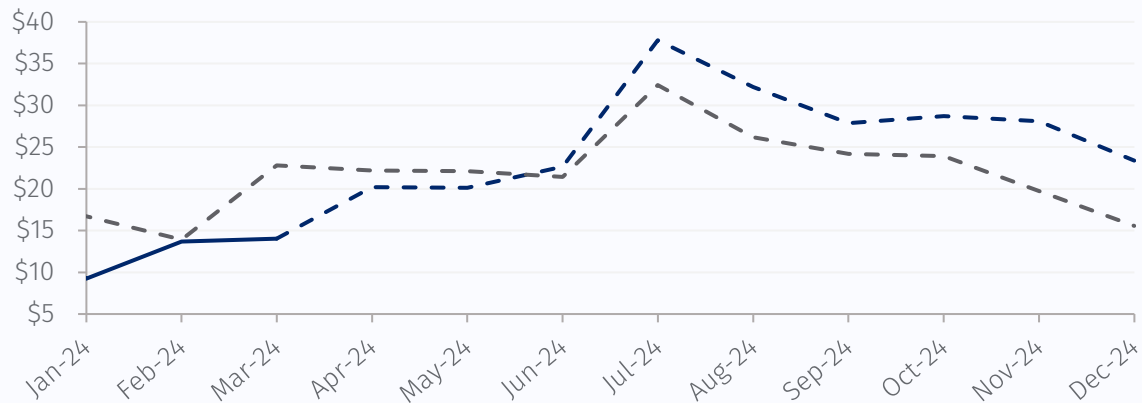
Note: Fleet as of 3/31/2024, pro forma for ERCOT sale.

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 10 in Notes to the Annual Financial Statements for additional information regarding jointly owned facilities.
3. Coal-fired electric generation is restricted during the EPA Ozone Season, which is May 1 to September 30 of each year.

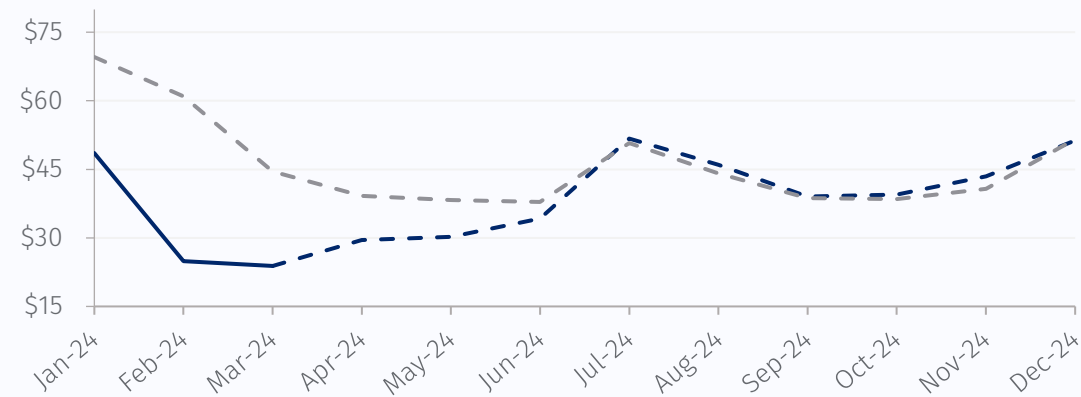
4. See Note 10 in Notes to the Interim Financial Statements for additional information on the Brandon Shores and H.A. Wagner deactivations. Filed RMR Cost of Service filing on April 18, 2024.
5. Coal-fired electric generation is required to cease at Brunner Island, Keystone, and Conemaugh by December 2028 with an earlier retirement of coal at Brunner Island at the Company's election.

2024 PJM Market Overview

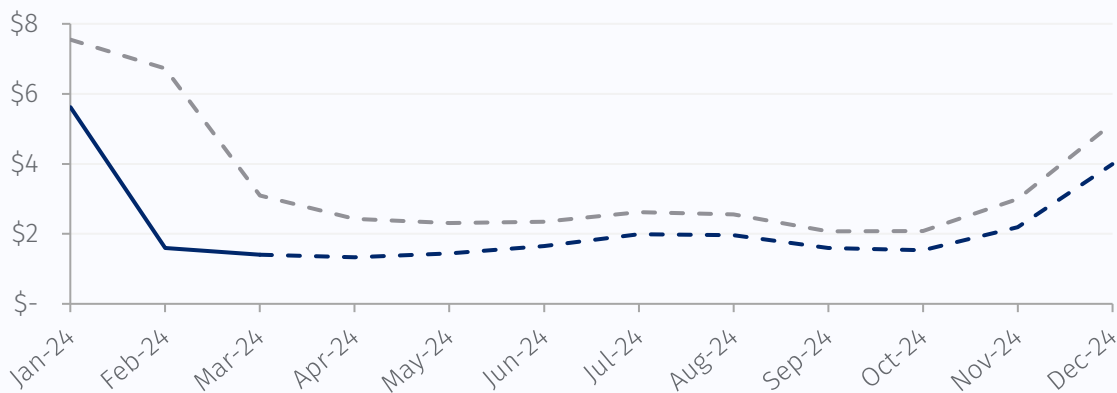
PJM West Hub ATC Spark Spreads¹ (\$/MWh)



PJM West Hub ATC Power Prices (\$/MWh)



TETCO M3 Gas Prices (\$/MMBtu)



Commentary

- Spark spreads have increased in 2H 2024 compared to Sep 29th, driven by the power curve staying flat while gas has moved down
- The power curve has recovered in 2H 2024 to be in line with Sep 29th on expectations of load growth and a warmer summer than 2023
- Mild winter and early spring conditions left gas storage at levels above the five-year range, causing the gas curve to move down

— Pricing as of Sep 29, 2023
 — Pricing as of Mar 28, 2024

Note: Solid line reflects actuals and dotted line reflects projections.
 1. Spark spreads are computed based on day-ahead West Hub ATC prices, TETCO M3 gas prices, and a heat rate of 7 MMBtu/MWh.

Hedging Program Supports Cash Flow Stability and Maintains Upside Optionality

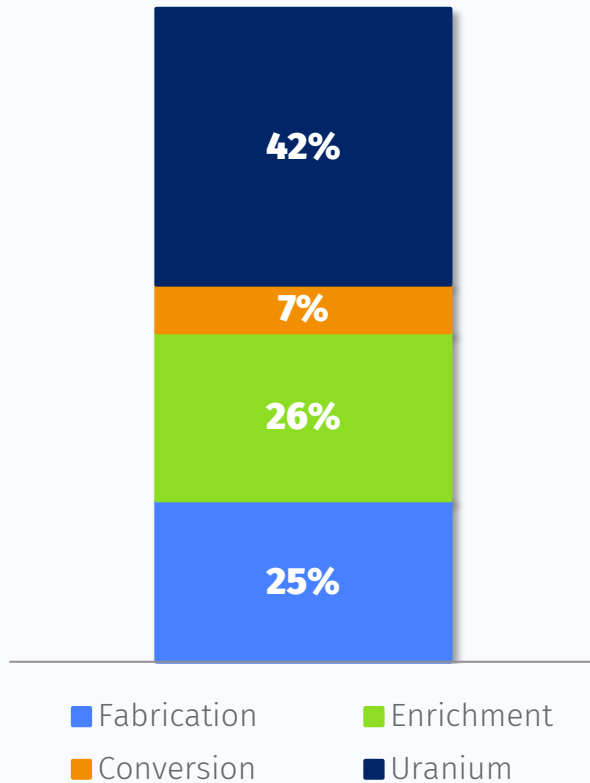
Pricing Summary	Balance of 2024 ¹	2025	2026
PJM West Hub ATC as of 12/29/2023 (\$/MWh)	\$41.51	\$46.38	\$48.98
PJM West Hub ATC as of 3/28/2024 (\$/MWh)	\$40.60	\$50.28	\$54.66
TETCO M3 as of 12/29/2023 (\$/MMBtu)	\$2.36	\$3.10	\$3.42
TETCO M3 as of 3/28/2024 (\$/MMBtu)	\$1.97	\$3.23	\$3.56
PJM West Hub ATC Spark Spreads ² as of 12/29/2023 (\$/MWh)	\$24.97	\$24.68	\$25.02
PJM West Hub ATC Spark Spreads ² as of 3/28/2024 (\$/MWh)	\$26.81	\$27.64	\$29.72

Total Fleet Hedge Position and Rule of Thumb Power Price Sensitivities as of 3/28/2024	Balance of 2024 ¹	2025	2026
% Hedged	88%	38%	17%
Gross Margin ³ Impact of Change in Power Price ⁴ (\$mm)	+\$10/MWh	+\$40	+\$335
	+\$5/MWh	+\$20	+\$170
	-\$5/MWh	-\$10	-\$165
	-\$10/MWh	-\$15	-\$285

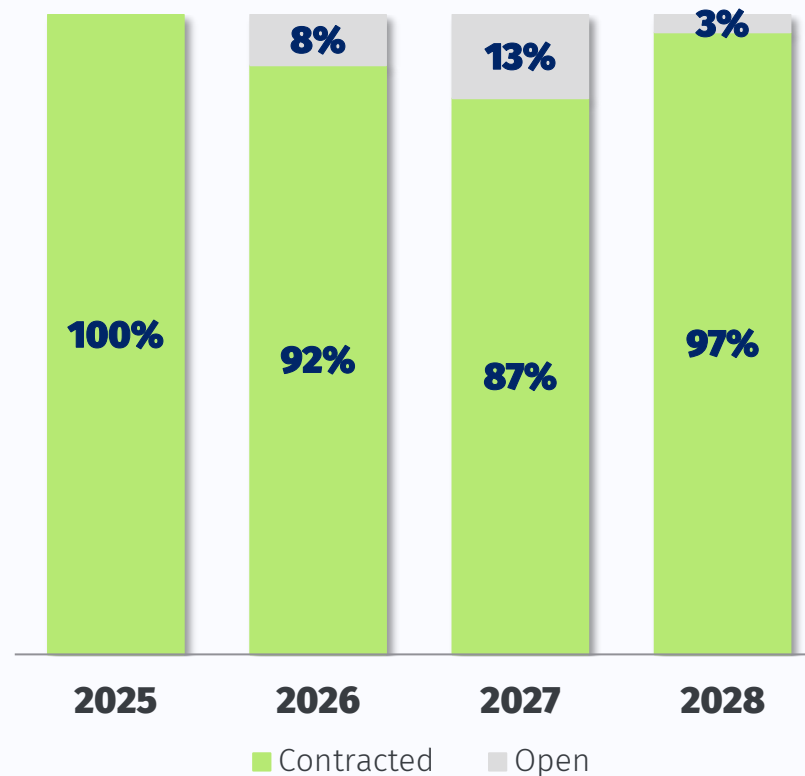
1. "Balance of 2024" is April – December 2024 for 3/28/2024 pricing case and FY 2024 for 12/29/2024 pricing case. % hedged and gross margin sensitivities exclude ERCOT starting in May 2024.
2. Spark spreads are computed based on day-ahead West Hub ATC prices, TETCO M3 gas prices, and a heat rate of 7 MMBtu/MWh.
3. Gross Margin is comprised of the following captions presented on the Condensed Consolidated Statement of Operations: (i) Capacity revenues, (ii) Energy and other revenues, (iii) Fuel and energy purchases, and (iv) Unrealized gain (loss) on derivative instruments. Gross Margin includes the effect of hedges and revenues associated with the Nuclear PTC.
4. 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. Figures rounded to nearest \$5mm.

Nuclear Fuel Largely Contracted Through 2028

**Nuclear Fuel Cost Breakdown:
2025 Reload Year**



% Nuclear Fuel Contracted by Reload Year¹



- Nuclear fuel procurement is a four-phase process
- Talen contracts fuel years in advance to avoid near-term cost variability
- Talen has diverse relationships with the biggest suppliers and no Russia-related fuel exposure
- Talen negotiates new contracts on a rolling basis and minimizes exposure to index prices for uranium
- For years with open positions, a \$10/ton increase in raw uranium results in <\$5mm increase in total fuel costs per year

Note: As of 4/24/2024.

1. % of nuclear fuel capex that is open is calculated assuming recent market prices.

Nuclear Production Tax Credit Overview

Nuclear PTC Overview

- Starting in 2024, the PTC benefit is calculated based on a year's annual "gross receipts" divided by annual generation
- Talen is awaiting additional regulatory guidance about PTC mechanics
- Talen's current assumption for gross receipts: physical energy margin, capacity revenues and ancillary revenues; no hedges or sales to affiliates
- Max potential benefit of \$15/MWh¹ 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 = $\frac{\text{GDP price deflator in preceding year}}{\text{GDP price deflator in 2023}}$
- IRA has transfer procedures that permit project owners to transfer (sell) their PTCs to unrelated taxpayers for cash
 - Advanced contractual arrangements are allowed
 - PTC can be carried back up to 3 years to offset past tax liability

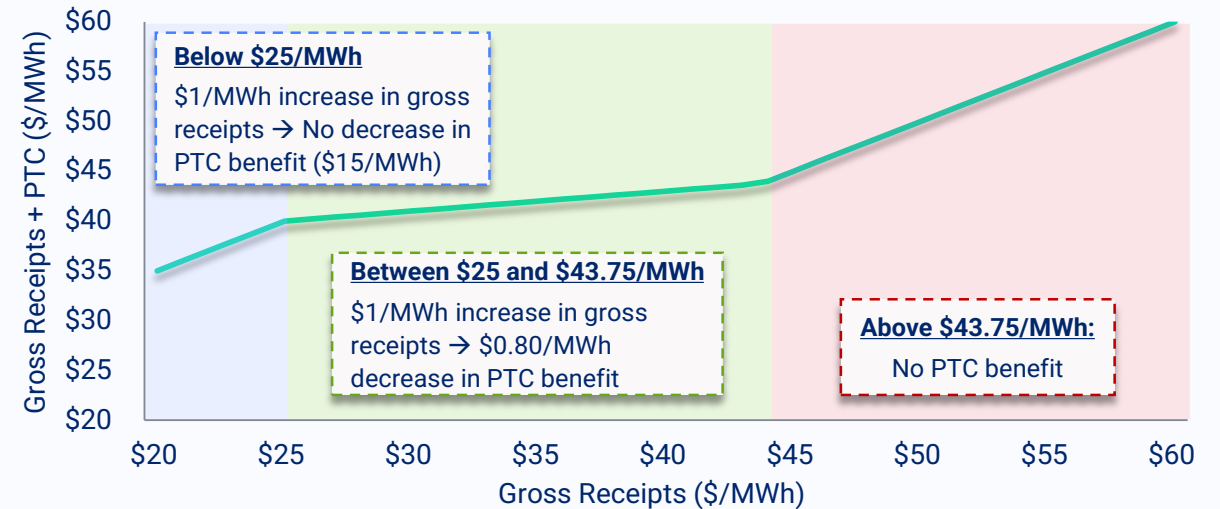
Note: Per U.S. Congress.

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. Maximum PTC increases in increments rounded to the nearest \$2.50/MWh.

3. Gross Receipts Threshold increases in increments rounded to the nearest \$1/MWh.

Nuclear PTC Impact¹



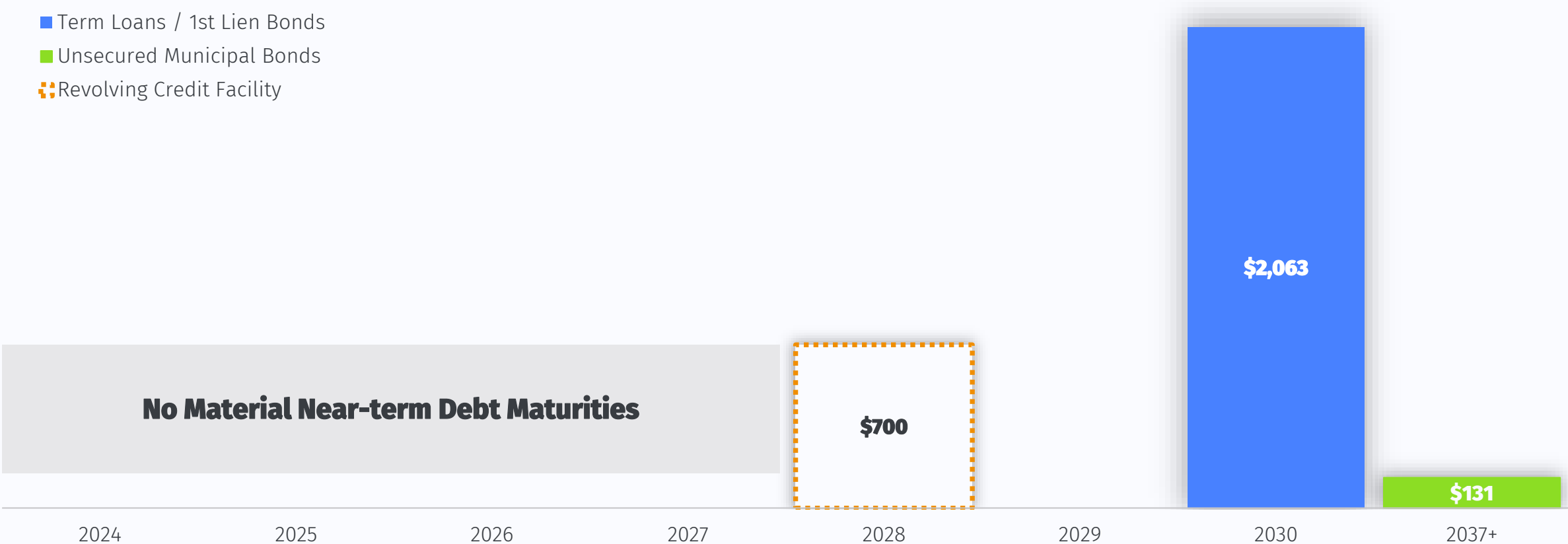
Illustrative PTC Inflation Adjustments (2% Inflation)

Year	Maximum PTC ²	Gross Receipts Threshold ³	Receipts At Which PTC = \$0
2024	\$15.00	\$25.00	\$43.75
2025	\$15.00	\$26.00	\$44.75
2026	\$15.00	\$26.00	\$44.75
2027	\$15.00	\$27.00	\$45.75
2028	\$17.50	\$27.00	\$45.75
2029	\$17.50	\$28.00	\$49.88
2030	\$17.50	\$28.00	\$49.88
2031	\$17.50	\$29.00	\$50.88
2032	\$17.50	\$29.00	\$50.88

No Material Debt Maturities Until 2028

Debt Maturity Summary¹

- Term Loans / 1st Lien Bonds
- Unsecured Municipal Bonds
- Revolving Credit Facility



Note: As of May 6, 2024. Excludes \$75mm bilateral secured LC facility. \$470mm Term Loan C also not included in debt totals, given that the cash proceeds associated with this facility are held in restricted accounts to secure LCs.

1. Maturities shown exclude mandatory 1% annual amortization on Term Loan B.

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, except where otherwise noted; 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)	Year Ended Dec 31, 2023
Net Income (Loss)	\$ 608
Less: Bankruptcy, Liability Management, and Restructuring Activities	
Reorganization (gain) loss, net (a)	(799)
Operational and other restructuring activities (b)	55
Bankruptcy exit fees	10
Total Bankruptcy, Liability Management, and Restructuring Activities	\$ (734)
Other Adjustments	
Interest expense and other finance charges	344
Income tax (benefit) expense	263
Depreciation, amortization and accretion	365
Nuclear fuel amortization	141
Unrealized (gain) loss on commodity derivative contracts	11
Nuclear decommissioning trust funds (gain) loss, net	(165)
Stock-based and other long-term incentive compensation expense	21
Environmental and ARO revisions on fully depreciated property, plant, and equipment (c)	5
(Gain) loss on non-core asset sales, net (d)	(57)
Non-cash impairments (e)	384
Legal settlements and litigation costs (f)	(83)
Unusual market events (g)	(5)
Net periodic defined benefit cost (h)	(1)
Development expenses	17
Non-cash fuel inventory net realizable value and obsolescence charges (i)	60
Cumulus Digital activities and noncontrolling interest	(56)
Other	3
Total Adjusted EBITDA	\$ 1,121
Capital expenditures, net	(208)
Interest and finance charge payments	(305)
Tax payments	(10)
Pension contributions	(11)
Total Adjusted Free Cash Flow	\$ 587

Notes

- a) See Note 3 in Notes to the Annual Financial Statements for additional information.
- b) See Note 3 in Notes to the Annual Financial Statements for additional information.
- c) See Note 11 in Notes to the Annual Financial Statements for additional information.
- d) See Note 22 in Notes to the Annual Financial Statements for additional information.
- e) See Note 10 in Notes to the Annual Financial Statements for additional information.
- f) See Note 12 in Notes to the Annual Financial Statements for additional information.
- g) Represents the effect of market losses and settlements for Winter Storm Elliott that occurred in 2022.
- h) Consists of postretirement benefits service cost and postretirement benefits gain (loss).
- i) See Note 8 in Notes to the Annual Financial Statements for additional information.

Adjusted EBITDA / Adjusted Free Cash Flow Reconciliation: Q1 (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 Mar 31, 2024		Three Months Ended Mar 31, 2023		
Net Income (Loss)	\$	319	\$	46	Notes
Adjustments					
Interest expense and other finance charges		50		104	a) See Note 2 in Notes to the Interim Financial Statements for additional information.
Income tax (benefit) expense		69		14	b) See Note 17 in Notes to the Interim Financial Statements for additional information.
Depreciation, amortization and accretion		75		132	
Nuclear fuel amortization		35		24	c) See Note 8 in Notes to the Interim Financial Statements for additional information.
Reorganization (gain) loss, net (a)		-		39	
Unrealized (gain) loss on commodity derivative contracts		134		(31)	d) See Note 10 in Notes to the Interim Financial Statements for additional information.
Nuclear decommissioning trust funds (gain) loss, net		(75)		(46)	
Stock-based compensation expense		8		-	e) Adjustments of PJM capacity penalty charges related to Winter Storm Elliott.
Long-term incentive compensation expense		10		-	f) Consists of postretirement benefits cost and postretirement benefits gain (loss).
(Gain) loss on non-core asset sales, net (b)		(324)		(35)	g) See Note 6 in Notes to the Interim Financial Statements for additional information.
Non-cash impairments (c)		-		365	
Legal settlements and litigation costs (d)		(2)		-	h) No material Cumulus maintenance capital expenditures.
Unusual market events (e)		(1)		13	
Net periodic defined benefit cost (f)		-		(2)	
Operational and other restructuring activities		2		8	
Development expenses		-		7	
Non-cash fuel inventory net realizable value and obsolescence charges (g)		1		24	
Noncontrolling interest		(11)		(3)	
Other		(1)		1	
Total Adjusted EBITDA	\$	289	\$	660	
Capital expenditures, net (h)		(59)		(65)	
Interest and finance charge payments		(34)		(98)	
Tax payments		-		-	
Pension contributions		(2)		-	
Total Adjusted Free Cash Flow	\$	194	\$	497	

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:

(\$Millions)	2024E	
	Low	High
Net Income (Loss)	\$125	\$325
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	135	135
(Gain) loss	(325)	(325)
Other	(10)	(10)
Adjusted EBITDA	\$600	\$800
Capital expenditures, net (a)	\$(155)	\$(185)
Interest and finance charge payments	(240)	(240)
Tax payments (b)	(10)	(20)
Pension contributions	(35)	(45)
Adjusted Free Cash Flow	\$160	\$310

Notes

- a) There are no material Cumulus maintenance capital expenditures.
- b) Excludes income taxes paid from the NDT.

Note: Figures include Cumulus and are rounded to the nearest \$5mm.