Q2 2023 Earnings Presentation

Talen Energy Corporation | August 14, 2023

TALEN ENERGY™

Disclaimers

The information contained herein, as well as any information that has been supplied orally in connection herewith, speaks only as of the date of this presentation. Talen Energy Corporation ("Talen," "TEC," the "Company," "we," "our," or "us") and our affiliates and representatives expressly disclaim any obligation to update any information contained herein, whether as a result of new information or developments, future events or otherwise. For additional information, see the Company's unaudited interim financial statements for the period ending June 30, 2023 released today and available on our website (www.talenenergy.com).

Non-GAAP Financial Measures

We include in this presentation Adjusted EBITDA and Adjusted Free Cash Flow, which we use as measures of our performance and liquidity, and are not financial measures prepared under U. S. Generally Accepted Accounting Principles ("GAAP"). Non-GAAP financial measures, such as Adjusted EBITDA and Adjusted Free Cash Flow, do not have definitions under GAAP and may be defined differently by, and not be comparable to, similarly titled measures used by other companies or used in our credit facilities, the indentures governing our notes or any of our other debt agreements. 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 investors not to place undue reliance on such non-GAAP measures, but to consider them along with their most directly comparable GAAP measures. Adjusted EBITDA and Adjusted Free Cash Flow have limitations as analytical tools and should not be considered in isolation or as a substitute for analyzing our results as reported under GAAP. Nothing contained herein should be construed as legal, business, tax or accounting advice. You should consult your own attorney, business advisor, tax advisor and accounting advisor as to legal, business, tax, accounting and related matters. The materials should not be relied upon for the maintenance of your books and records for any tax, accounting, legal or other procedures. Please see the "Reconciliation of Non-GAAP Financial Measures" section of the Appendix for more detail.

Market and Industry Data

This presentation includes market data and other information from independent industry publications as well as surveys and our own research and knowledge of the industry. Some data is also based on management's estimates, which are derived from our review of internal sources, as well as the independent sources described above. Although we believe these sources are reliable, no information contained in this presentation has been independently investigated, verified or audited and therefore, we cannot guaranty the accuracy or completeness of such information. As a result, you should be aware that market share, ranking and other similar data set forth in this presentation, and estimates and beliefs based on such data, may not be reliable.

Forward Looking Statements

Statements contained in this presentation concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are not statements of historical fact are "forward-looking statements." Any statements that are not historical fact should be considered to be estimates, assumptions, forward-looking statements or projections. These statements often include words such as "believe," "expect," "anticipate," "intend," "plan," "estimate," "target," "project," "forecast," "seek," "will," "may," "should," "could," "would" or similar expressions. Any such statements and projections reflect various estimates and assumptions by Talen concerning anticipated results. No representations or warranties are made by Talen or any of its affiliates, shareholders, directors, officers, employees, agents, partners or professional advisors as to the accuracy or achievability of any such statements or projections. Except as otherwise required by law, Talen undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict all of these factors. Although we believe that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to be correct. Forward-looking statements are subject to many risks and uncertainties, and actual results may differ materially from the results discussed in forward-looking statements. In addition to the specific factors discussed in "Significant Business Risks" in the TEC financial statements, the following are among the important factors that could cause actual results to differ materially from the forward-looking statements: Talen's or its subsidiaries' levels of indebtedness; the terms and conditions of debt instruments that may restrict Talen's ability to operate its business; operational, price and credit risks in the wholesale and retail electricity markets (including as a result of increases in the supply of electricity generally due to new power or intermittent renewable power generation); the risks associated with cryptocurrency mining projects due to the volatility of such currencies and oversight from federal and state agencies; the effectiveness of Talen's risk management techniques, including hedging, with respect to electricity and fuel prices, interest rates and counterparty and joint venture partner credit and non-performance risks; methods of accounting and developments in or interpretations of accounting requirements that may impact reported results, including with respect to, but not limited to, hedging activity; Talen's ability to forecast the actual load needed to perform full-requirements sales contracts; the effects of transmission congestion due to line maintenance outages and the performance of transmission facilities and any changes in the structure and operation of, or the pricing limitations imposed by, the Regional Transmission Organizations and Independent System Operators that operate those facilities; blackouts due to disruptions in neighboring interconnected systems; federal and state legislation and regulation, including federal and state tax laws and regulations, and costs of complying with governmental permits and approvals; costs of complying with environmental, social and related worker health and safety laws and regulations; the impacts of climate change, including changes in regulation or their enforcement; the availability and cost of emission allowances; the performance of Talen's subsidiaries and affiliates, on which our ability to meet our debt obligations largely depend; the risks inherent with variable rate indebtedness; disruption in or adverse developments of financial markets; acquisition or divestiture activities, including Talen's ability to realize expected synergies and other benefits from such business transactions; Talen's ability to achieve anticipated cost savings; the execution and development of proposed future enterprises, including the ability to permit, develop, construct and operate the proposed renewable energy, energy storage, data center and digital currency facilities, realization of assumptions underlying the statements regarding future enterprises, and the realization of estimates of valuations of future enterprises; Talen's ability to optimize its competitive power generation operations and the costs associated with any capital expenditures; significant increases in operation and maintenance expenses, such as health care, and pension costs, including as a result of changes in interest rates; the loss of key personnel (for health or other reasons) and the ability to hire and retain qualified employees; possibility of strikes or work stoppages by unionized employees; war (including supply chain disruptions as a result of war, and including the effects of the Ukraine and Russia conflict and attendant sanctions imposed on Russia and the related disruptions in oil and natural gas production), armed conflicts or terrorist attacks, including cyber-based attacks; and pandemics, including COVID-19. Recipients are cautioned to not place undue reliance on such forward-looking statements.

Agenda

1. Business Review

2. Financial Review

3. Q&A

Significant Progress on Multiple Strategic Areas

Strong Performance and Establishing Guidance:

- Strong operational and financial performance in first half 2023 ("1H 2023")
- Establishing 2023 Adjusted EBITDA and Adjusted Free Cash Flow guidance

2023 Guidance[1]
Adj. EBITDA: $1,070 – $1,245mm
Adj. FCF: $550 – $595mm

Emerged from Restructuring on May 17th with:

- Modest leverage with long-dated maturities
- Strong cash flow generation profile
- Ample liquidity

Net Leverage Target <3.5x[2]

Key Organizational Updates:

- New management team and Board of Directors
- Completed fresh start accounting; realigning with regular-way public company practices
- Uplisted to OTCQX with potential national exchange listing to come

OTCQX
Ticker: TLNE

Focus on Capital Discipline and Simplifying Business:

- No material non-maintenance capex after 2023
- Simplified capital structure with Lower Mount Bethel-Martins Creek debt refinancing
- Reached agreement to acquire Riverstone's Cumulus Digital ownership and retire its Talen warrants ("Riverstone buyout")

Reached Agreement to Retire 3.1mm Warrants

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.*
2. *Excluding Cumulus.*

Strong Financial and Operational Performance

Key Operational Metrics

0.6
1H 2023 OSHA Total Recordable Incident Rate[1]

2.6%
1H 2023 Fleet Equivalent Forced Outage Factor[2]

13.5 TWh
1H 2023 Total Generation[3]

60%
1H 2023 Carbon-Free Generation[4]

Key Financial Metrics

$774mm
1H 2023 Adjusted EBITDA[5]

$464mm
1H 2023 Adjusted Free Cash Flow[5]

~$840mm
Liquidity[6]

~1.7x – 1.9x
Net Debt / 2023E 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 plants 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.*
3. *Generated MWhs sold after consumption for station use where applicable.*
4. *Represents generation from Susquehanna nuclear plant.*
5. *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.*
6. *Pro forma for LMBE-MC refinancing. Calculated as unrestricted cash plus revolver availability at 8/11/2023.*
7. *Pro forma for LMBE-MC refinancing. Calculated as debt of $2,201 million less unrestricted cash of ~$140 million as of 8/11/2023 divided by the range of 2023 Adjusted EBITDA guidance of $1,070 – $1,245 million.*

Plant Conversions Near Completion and Digital Campus Ready for Value Capture

Plant Conversions

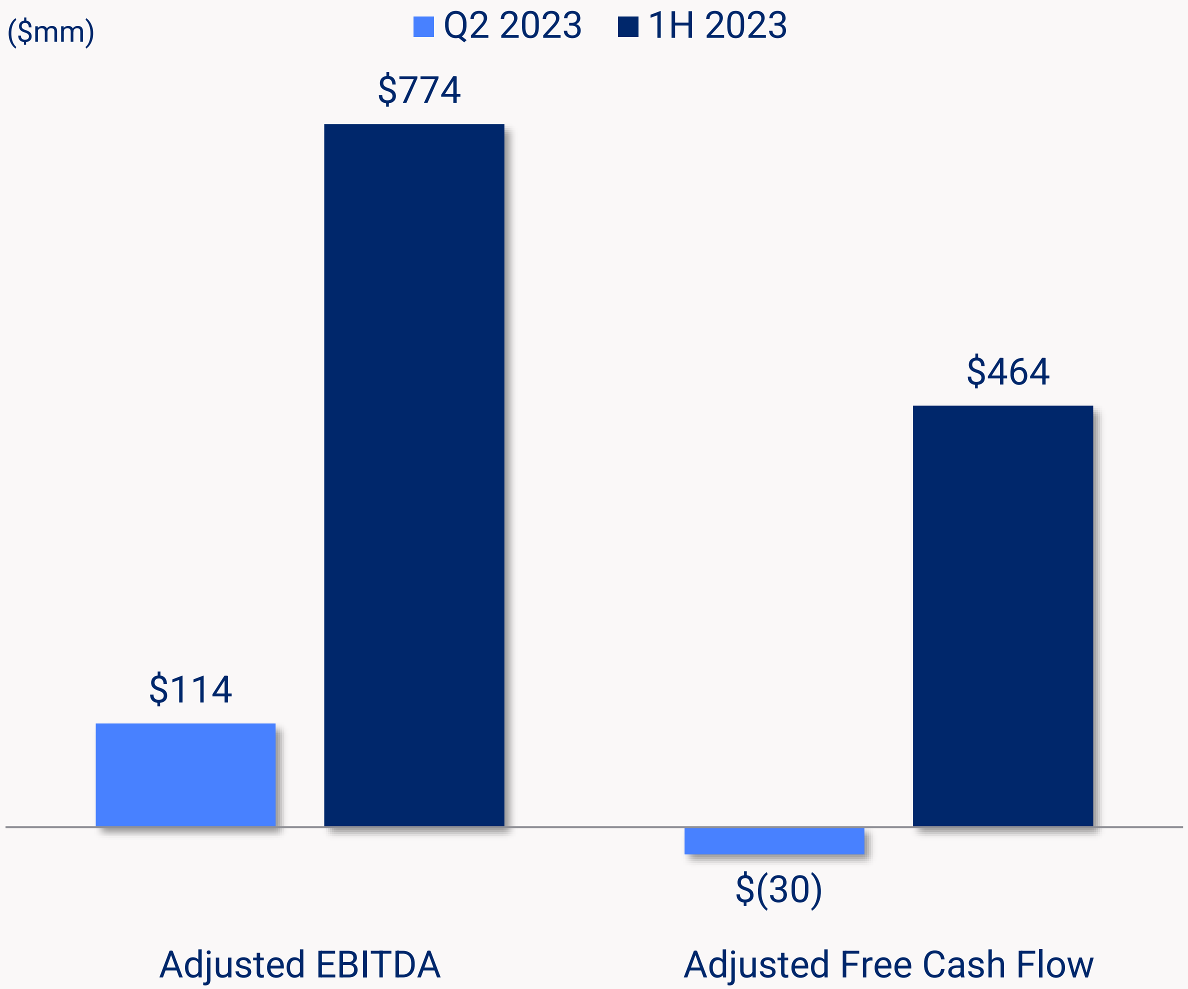
- The 1.5 GW Montour coal-to-gas conversion is nearly complete: Unit 2 went commercial (fully operational) on natural gas in early August; Unit 1 is expected to be commercial on natural gas by end of August
- Conversion of the 0.3 GW Wagner Unit 3 from coal to oil is underway, with completion expected by year-end 2023

Cumulus Data

- Substation SS03 nearing full electrification, which will provide redundant power to Phase 1 of the Susquehanna data center campus
- Limited incremental capital (~$5mm) required for electrical infrastructure to support up to 240 MW at the data center campus
- Focused on realizing the value of prior investments through a campus sale or joint venture

With Limited Go-Forward Non-Maintenance Capex, Talen is Focused on Capital Discipline and Prioritizing Shareholder Returns

Strong Financial Results Year to Date Driven by Hedging Program



- Strong Adjusted EBITDA and Adjusted Free Cash Flow performance in both Q2 2023 and 1H 2023
- Disciplined risk management activity through our hedging program complemented solid operational performance across the generation fleet
- Q2 2023 Adjusted Free Cash Flow was burdened by our legacy capital structure through May 17, 2023

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 2023 Guidance Better Than Prior Disclosure

2023 Guidance	Range	Jan 27th Forecast Refresh
Adjusted EBITDA	$1,070 – $1,245 million	$1,130 million
Adjusted Free Cash Flow[1]	$550 – $595 million	$570 million[2]

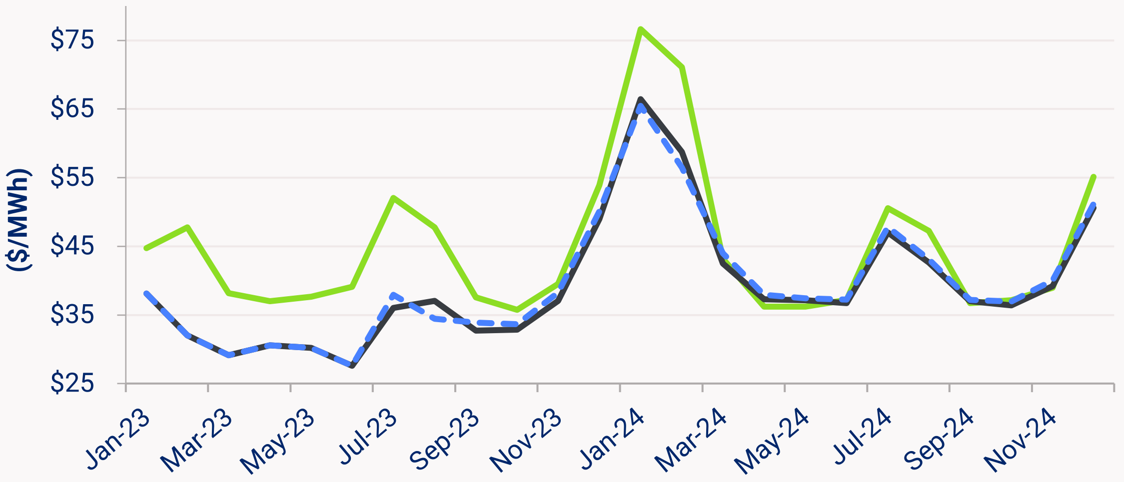
- Establishing 2023 Adjusted EBITDA and Adjusted Free Cash Flow guidance ranges with midpoint better than the last forecasted figures disclosed during the restructuring (the "Jan 27th Forecast Refresh")
- Anticipate providing 2024 guidance in the Q3 2023 earnings release

Note: Pro forma for the LMBE-MC refinancing and 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.

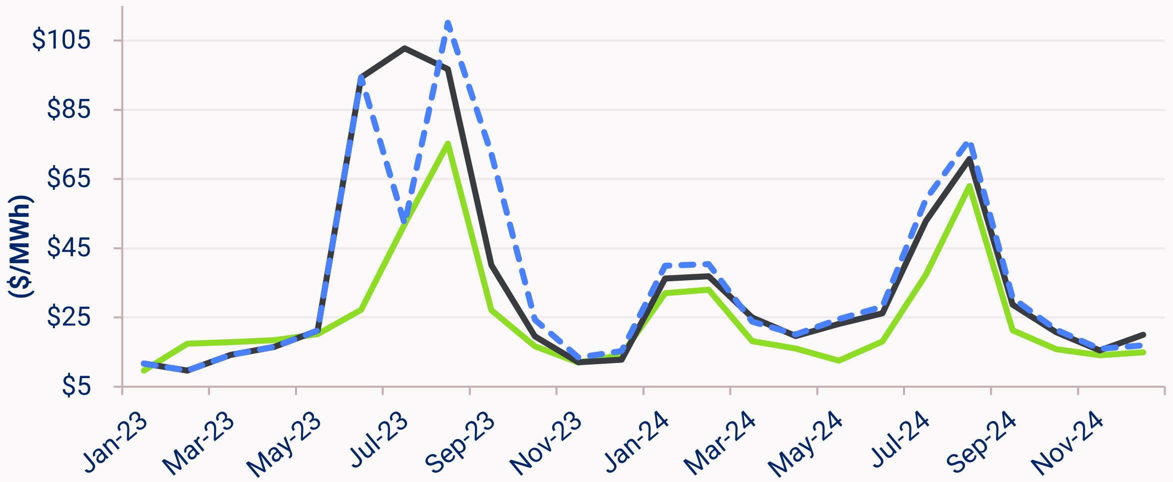
1. *Excludes impact of Riverstone buyout.*
2. *Calculated as $789mm of 2023 Unlevered Free Cash Flow per the Jan 27th Forecast Refresh less $252mm of interest and finance charge payments (excluding one-time interest and costs related to the restructuring), less an incremental $50mm of interest and finance charge payments from upsizing the debt at emergence and paying 17 additional days of interest in May vs assumption in the Jan 27th Forecast Refresh and excluding $83mm of conversion capex, net working capital, ARO, development costs, hedging-related items, and other adjustments.*

Lower PJM Pricing and Elevated ERCOT Spark Spreads

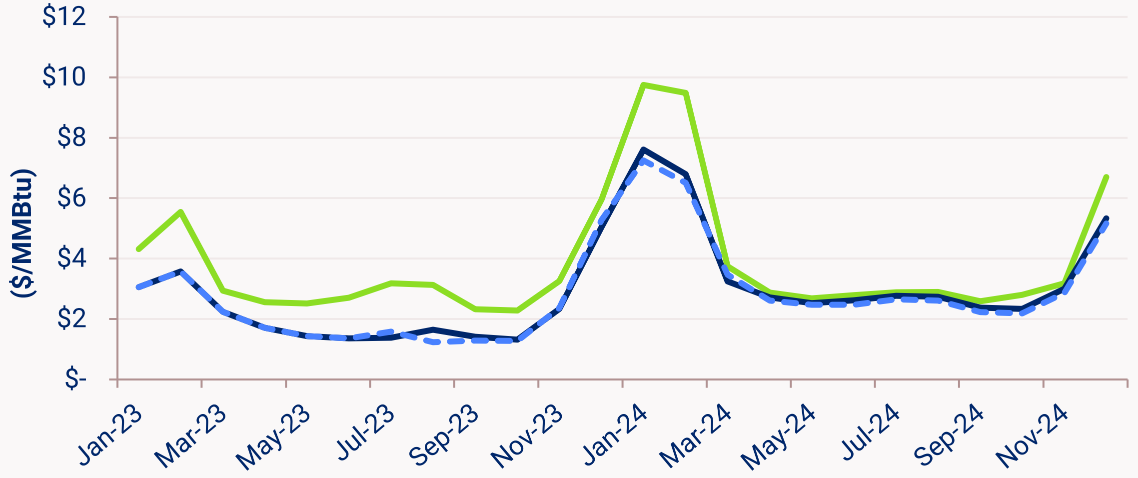
PJM West Hub ATC



ERCOT South Hub Peak Spark Spreads[1]



TETCO M3 (PJM)



Commentary

- In the last 9 months, tight natural gas supply and demand conditions have reversed, and gas prices have declined
- The decline in PJM power prices has reflected natural gas price dynamics
- ERCOT saw an expansion in spark spreads due to elevated demand this summer and market structure changes

1. *Spark spreads are computed based on a heat rate of 7 MMBtu/MWh.*

27-Jan 30-Jun 11-Aug

TALEN ENERGY

Hedging Program Supports Cash Flow Stability and Maintains Upside Optionality

	2H 2023	FY '24
% Hedged as of 3/31/2023	68%	53%
% Hedged as of 6/30/2023	64%	76%

Average Regional Pricing Summary		2H 2023	FY '24
PJM	PJM WHUB as of 1/27/2023 ($/MWh)	$44.49	$47.17
	PJM WHUB as of 6/30/2023 ($/MWh)	$37.48	$44.30
	TETCO M3 as of 1/27/2023 ($/MMBtu)	$3.36	$4.35
	TETCO M3 as of 6/30/2023 ($/MMBtu)	$2.19	$3.67
ERCOT	ERCOT South Peak Spark Spreads as of 1/27/2023 ($/MWh)[1]	$33.44	$24.84
	ERCOT South Peak Spark Spreads as of 6/30/2023 ($/MWh)[1]	$47.80	$31.48

While Texas and other areas of the U.S. have endured excessive heat, power prices have generally been driven lower in response to lower natural gas prices

1. *Spark spreads are computed based on a heat rate of 7 MMBtu/MWh.*

TALEN ENERGY

Maintaining Modest Leverage and Ample Liquidity

On August 9, 2023, Talen successfully refinanced its non-recourse LMBE-MC debt through upsizing the 2030 Term Loan B by **$290mm**

Capitalization Summary *($mm unless otherwise noted)*	**As of 8/11/2023**
Unrestricted Cash	~$140
Secured Debt	$2,070
Total Debt	**$2,201**
Total Net Debt	***~2,061***

Credit Metrics

2023E Adjusted EBITDA	**$1,070 – $1,245**
Net Debt / 2023E Adjusted EBITDA	**~1.7x – 1.9x**
Total Liquidity[1]	**~$840**

Focus on a strong balance sheet and utilization of cash flow to achieve highest returns for our stakeholders

Note: Pro forma for the LMBE-MC refinancing and excluding Cumulus. All calculations exclude $470mm Term Loan C given that the cash associated with this facility is held in restricted accounts. Please refer to Reconciliation of Non-GAAP Financial Measures section of the Appendix for more detail on Adjusted EBITDA.

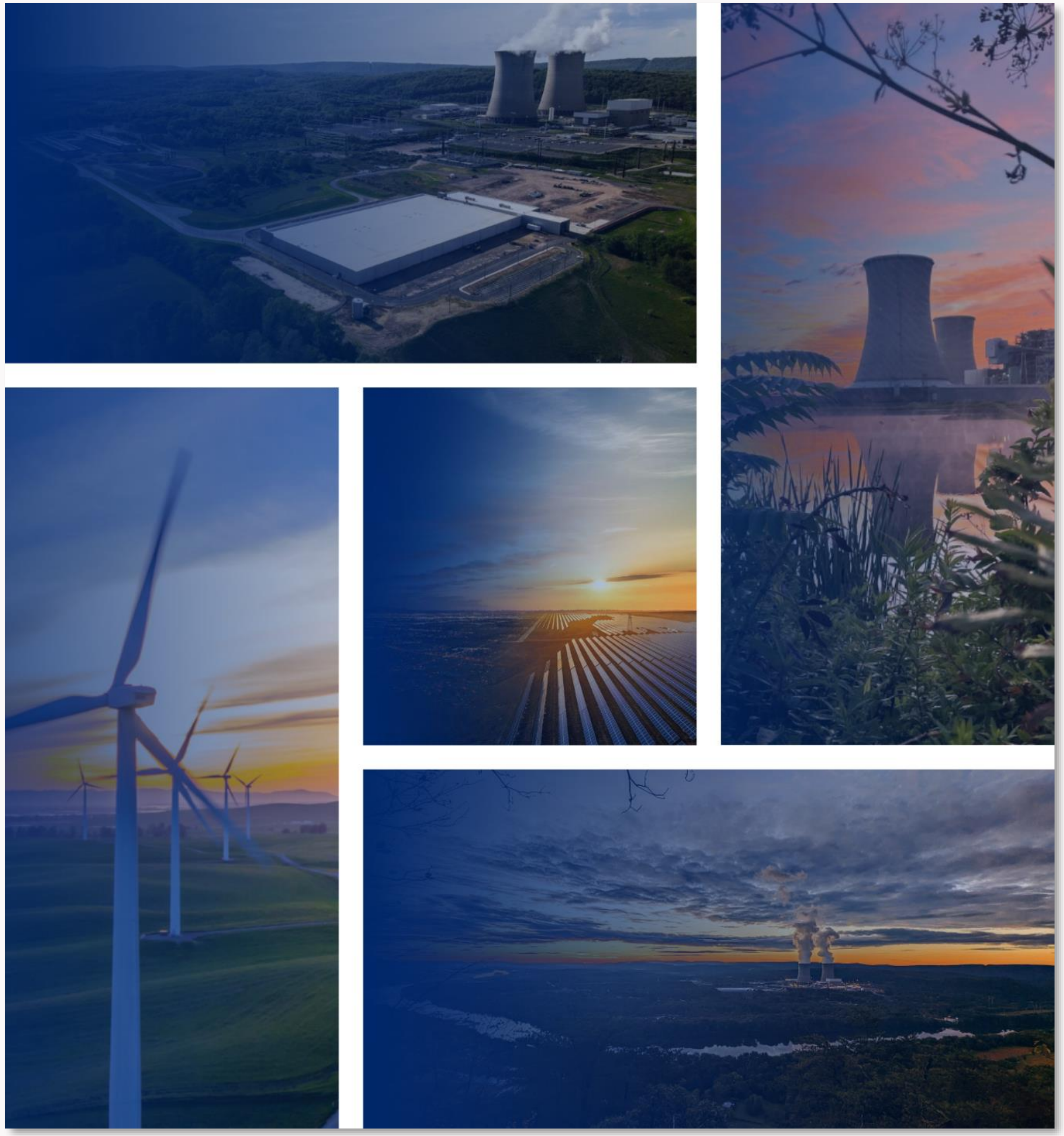
1. *Calculated as unrestricted cash plus $700mm revolver availability.*

Talen Offers a Unique Investment Opportunity

- Diverse and Stable Cash Flows with Limited Non-Maintenance Capex Going Forward
- Industry-Leading, Baseload, Carbon-Free Nuclear Plant with Production Tax Credit Benefit
- Flexible Gas and Peaking Fleet Capable of Capturing Upside from Market Dynamics
- Zero-Carbon Digital Infrastructure Campus Optimally Positioned for Value Capture
- Strong Balance Sheet Underpinned by Modest Leverage and Ample Liquidity
- New Board and Management Team Focused on Capital Discipline and Prioritizing Shareholder Returns

Announcing Investor Day and Upcoming Conference Participation

Save the Date:
Susquehanna & Cumulus Digital Investor Day on October 24th



Near-term anticipated conference participation:

- **Barclays CEO Energy/Power Conference:** September 5th – 7th in NYC
- **Bank of America IPP Day:** September 21st in Houston
- **Wolfe Research Utilities, Midstream & Clean Energy Conference:** September 27th – 28th in NYC
- More to be announced

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%	2,245	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%	610	2004	PJM-PPL
Martins Creek	PA	Natural Gas	Peaker	100%	1,719	1975 - 1977	PJM-PPL
Peaking units[4]	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
Planned Conversion							
Montour[5]	PA	Natural Gas (Converted from Coal)	Intermediate	100%	1,508	1972 - 1973	PJM-PPL
Brunner Island[6]	PA	Natural Gas / Coal (Dual Fuel)	Intermediate	100%	1,424	1961 - 1969	PJM-PPL
H.A. Wagner[7]	MD	Oil / Coal (Converting to Oil)	Peaker	100%	827	1956 - 1972	PJM-BGE
Minority-Owned Coal							
Conemaugh[2]	PA	Coal	Intermediate	22%	390	1970 - 1971	PJM-MAAC
Keystone[2]	PA	Coal	Intermediate	12%	214	1967 - 1968	PJM-MAAC
Colstrip Unit 3[2]	MT	Coal	Baseload	30%	222	1984 -1986	WECC
Planned Retirement of Coal							
Brandon Shores[8]	MD	Coal	Intermediate	100%	1,295	1984 - 1991	PJM-BGE
Total					**12,402**		

Note: Fleet as of 6/30/2023.

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 TES's 2022 Consolidated Financial Statements for additional information regarding jointly owned facilities.*
3. *A notice was provided to ERCOT that requested suspension of operations for Barney Davis Unit 1 on November 24, 2023.*
4. *LMBE-MC deactivated 33 MW of peaking unit capacity in June 2023.*
5. *The 1.5 GW Montour coal-to-gas conversion is nearly complete: Unit 2 went commercial (fully operational) on natural gas in early August; Unit 1 is expected to be commercial on natural gas by end of August.*
6. *Coal-based generation will cease by December 31, 2028. Coal-fired electric generation is restricted during the EPA Ozone Season, which is May 1 to September 30 of each year.*
7. *H.A Wagner is transitioning its coal-fired unit to fuel oil, which is expected to support electric grid stability as a capacity resource. The conversion is expected to be completed in 2023.*
8. *A notice was provided to PJM that requested deactivation on June 1, 2025. See Note 10 in Notes to the Condensed Consolidated Financial Statements for additional information.*

Zero-Carbon-Powered Digital Infrastructure Assets with Minimal Go-Forward Spend

TALEN ENERGY

~95% Equity

Cumulus Digital

Other Cumulus Digital Stakeholders

$197mm Term Loan

~4% Equity

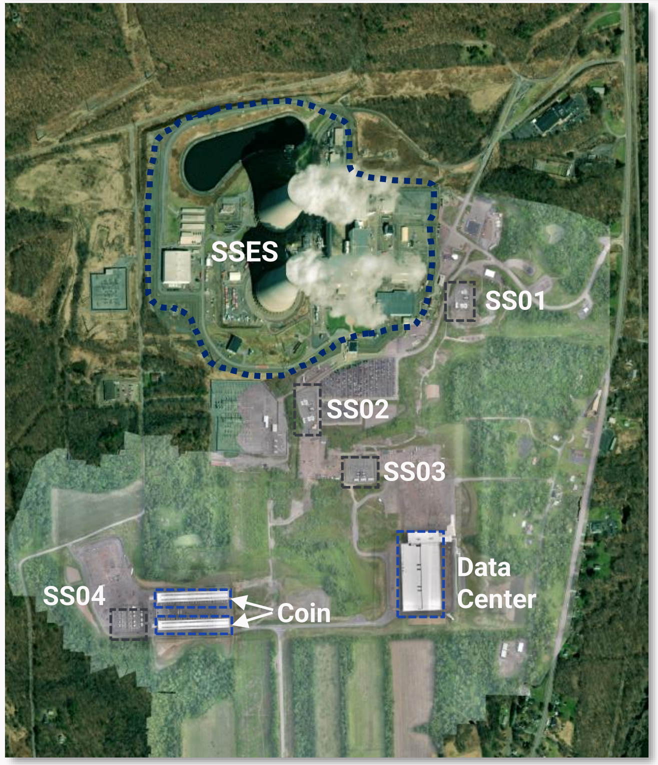
***Other:** Remaining equity interests*

Cumulus Data ("Data")

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

Existing 12.4 GW Generation Portfolio

Other Growth Assets (Largely Renewables and Battery Storage)



Current Assets:

- 4 expandable substations and related campus infrastructure on 1,200 acres, with up to 950 MW of fully redundant potential capacity
  - Substations #1 and #2 (478 MW each[1]) are both linked to SSES and to Substations #3 and #4
  - Substation #3 (240 MW, fully redundant[1]) is dedicated to the data centers
  - Substation #4 (280 MW[1]) is dedicated to the digital currency assets
- First data center shell with gross capacity of ~65 MW
  - Current substations and infrastructure can support 2 additional similar buildings, with ability to expand and scale further
- Nautilus ground lease with submetered power (currently 150 MW[2])

Digital Currency Assets

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

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

Note: As of 6/30/2023. All ownership lines are effectively 100% unless otherwise noted. Pro forma for buyout of Riverstone's 14% equity interest.

1. *All MW capacity figures are gross (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). First Nautilus facility has up to 200 MW of gross capacity.*

Nuclear Production Tax Credit Overview

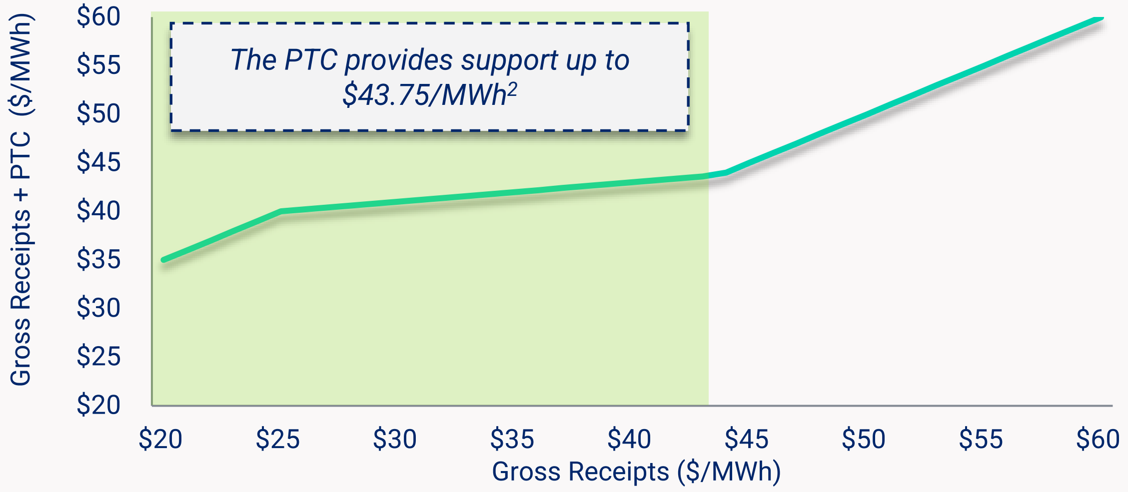
Nuclear PTC Overview

- Starting in 2024, the nuclear PTC provides support for nuclear units when gross receipts fall below $43.75/MWh, while maintaining upside optionality[1]
- PTC has a "base" amount of $3/MWh, which can increase 5x to $15/MWh[2] under certain wage requirements that SSES expects to meet
- 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[2]
- In 2025+, max PTC and gross receipts thresholds have an inflation adjustment
  - $\text{Inflation Adjustment} = \dfrac{\text{GDP price deflator in preceding year}}{\text{GDP price deflator in 2023}}$

PTC Monetization

- IRA has transfer procedures that permit project owners to transfer (sell) their PTCs to unrelated taxpayers, and proposed regulations were recently released[4]
  - 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 Pricing[2,3]



Illustrative PTC Inflation Adjustments[3]

Year	2% Inflation			3% Inflation		
	Maximum PTC[5]	Gross Receipts Threshold[5]	Receipts At Which PTC = $0	Maximum PTC[5]	Gross Receipts Threshold[5]	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. *Awaiting regulations on which revenue streams will be included in definition of gross receipts.*
2. *Excluding impact of inflation.*
3. *Assuming starting PTC benefit of $15/MWh, inclusive of 5x multiplier.*
4. *Represents a subset of IRA guidance released to date.*
5. *Maximum PTC increases in increments rounded to the nearest $2.50/MWh. Gross Receipts Threshold increases in increments rounded to the nearest $1/MWh.*

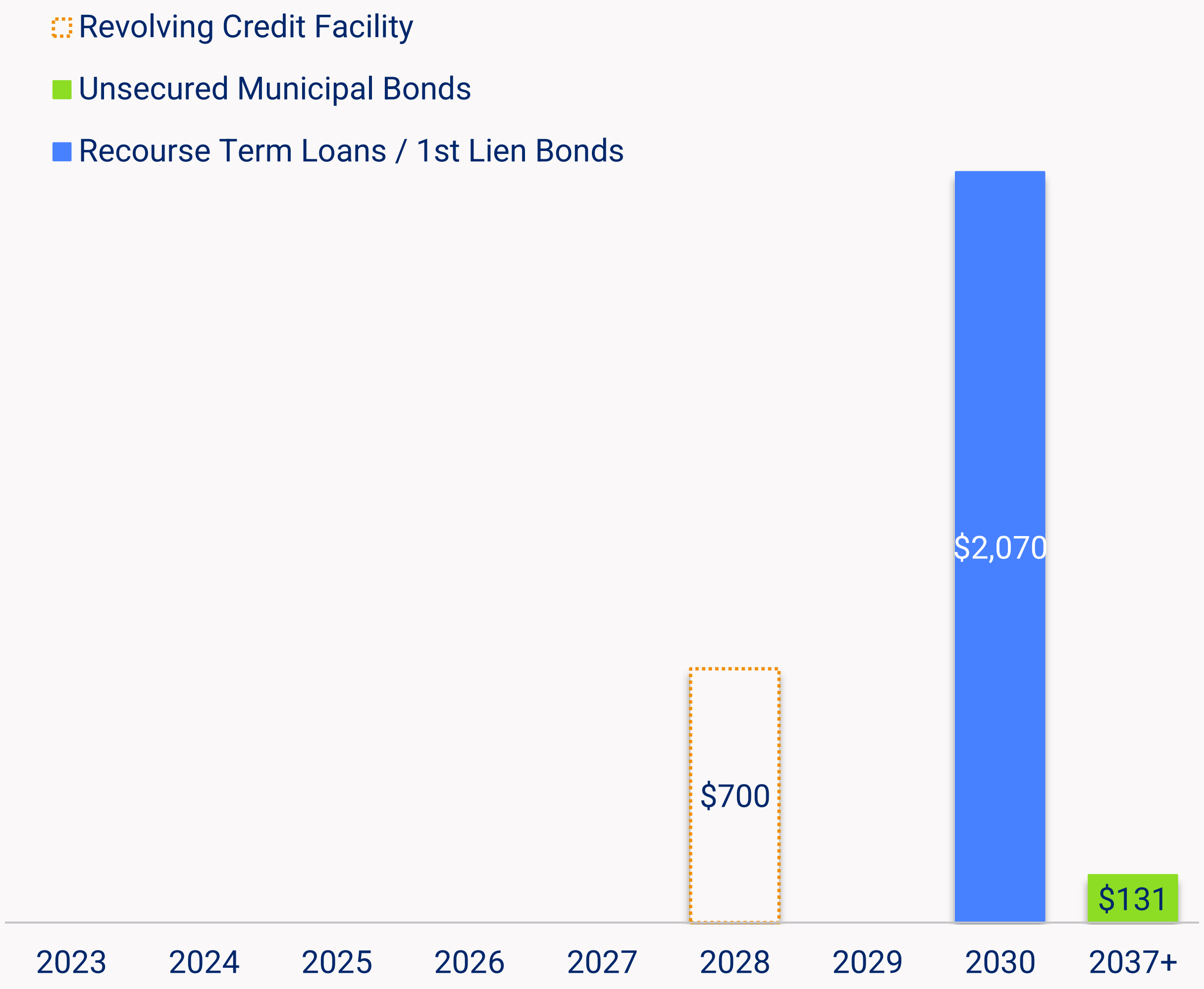
No Recourse Debt Maturities until 2028

Capitalization Summary

On August 9, 2023, Talen successfully refinanced its LMBE-MC debt through upsizing the 2030 Term Loan B by **$290mm**

($mm)	**5/17/2023 (Emergence)**	**8/11/2023**
Recourse		
Unrestricted Cash	$169	~$140
2028 Revolver ($700mm capacity)	-	-
2028 Bilateral LC Facility ($75mm capacity)	-	-
2030 Term Loan B	580	870
2030 Term Loan C (Cash Held in Restricted Accounts)	470	470
2030 Secured Notes	1,200	1,200
Total Secured Debt	**$1,780**	**$2,070**
PEDFA Municipal Bonds	131	131
Total Recourse Debt	**$1,911**	**$2,201**
Recourse Net Debt	***$1,742***	***~$2,061***
Non-Recourse		
LMBE-MC Cash	$13	-
LMBE-MC 2023 Revolver ($25mm capacity)	-	-
LMBE-MC 2025 Term Loan B	294	-
Total Non-Recourse Debt	**$294**	**-**
Total Debt	**$2,205**	**$2,201**
Total Net Debt	***$2,023***	***~$2,061***

Debt Maturity Summary[1]



Note: Pro forma for LMBE-MC refinancing and excludes Cumulus entities.

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 or used in our credit facilities, the indentures governing our notes or any of our other debt agreements. 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 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:

($Millions)	Three Months Ended June 30, 2023	Six Months Ended June 30, 2023
Net Income (Loss)	**$ 448**	**$ 496**
Less: Bankruptcy, Liability Management, and Restructuring Activities		
Hedge termination losses, net (a)	-	-
Reorganization (gain) loss, net (b)	(838)	(799)
Operational and other restructuring activities	17	25
Bankruptcy exit fees	4	4
Liability management costs and other professional fees	-	-
Total Bankruptcy, Liability Management, and Restructuring Activities	**$ (817)**	**$ (770)**
Other Adjustments		
Interest expense and other finance charges	92	196
Income tax (benefit) expense	217	231
Depreciation, amortization and accretion	96	228
Nuclear fuel amortization	34	58
Unrealized (gain) loss on commodity derivative contracts	53	22
Nuclear decommissioning trust funds (gain) loss, net	(50)	(96)
Stock-based compensation expense	16	16
Environmental and ARO revisions on fully depreciated property, plant and equipment	-	-
(Gain) loss on non-core asset sales, net (c)	(15)	(50)
Non-cash impairments	16	381
Unusual market events (d)	2	15
Net periodic defined benefit cost (e)	(1)	(3)
Development expenses	5	12
Non-cash fuel inventory net realizable value and obsolescence charges (f)	35	59
Cumulus Digital activities and noncontrolling interest	(17)	(22)
Other	-	1
Total Adjusted EBITDA	**$ 114**	**$ 774**
Capital expenditures, net (g)	(54)	(119)
Interest and finance charge payments (h)	(84)	(182)
Tax payments (i)	(5)	(6)
Pension contributions	(1)	(3)
Total Adjusted Free Cash Flow	**$ (30)**	**$ 464**

Notes

a) 2022 relates to a nonrecurring charge on terminated power contracts. See Note 5 in Notes to the Condensed Consolidated Financial Statements for additional information.

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

c) See Note 21 in Notes to the Condensed Consolidated Financial Statements for additional information.

d) 2023 relates to the true up of capacity penalty charges due to the receipt of finalization of amounts by PJM compared to estimates recognized in 2022 related to Winter Storm Elliot.

e) Consists of "Postretirement benefits service cost" and "Postretirement benefits gains (loss), net" presented on the Condensed Consolidated Statements of Operations.

f) See Note 8 in Notes to the Condensed Consolidated Financial Statements for additional information.

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

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

i) Excluding income taxes paid from the NDT.

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)

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

TALEN ENERGY

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

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

($Millions)		**2023E**
Net Income (Loss)	**$**	**(58)**
Adjustments		
Interest expense and other finance charges (a)	$	334
Income tax (benefit) expense (b)		(21)
Depreciation, amortization and accretion		488
Nuclear fuel amortization		88
Unrealized (gain) loss on commodity derivative contracts		110
Nuclear decommissioning trust funds (gain) loss, net		(44)
Restructuring costs and other (c)		233
Adjusted EBITDA	**$**	**1,130**
Capital expenditures, net (d)	$	(214)
Interest and finance charge payments (e)		(301)
Tax payments (f)		(16)
Pension contributions		(29)
Adjusted Free Cash Flow	**$**	**570**

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 $117mm related to one-time bankruptcy costs and restructuring interest & fees consisting of make-whole, default interest, and interest on interest. Including an incremental $50mm of interest and finance charge payments from upsizing the debt at emergence and paying 17 additional days of interest in May vs assumption in the Jan 27th Forecast Refresh.*
f) *Excluding income taxes paid from the NDT.*