Talen Energy Reports Third Quarter Results, Narrows 2023 Guidance and Establishes 2024 Guidance

November 13, 2023

HOUSTON, Nov. 13, 2023 /PRNewswire/ -- Talen Energy Corporation ("Talen" or the "Company") (OTCQX: TLNE), an independent power producer and infrastructure company committed to the energy transition, today reported its third quarter 2023 financial and operational results.

"We had solid fleet-wide performance in the third quarter, generating $224 million of Adjusted EBITDA and $146 million of Adjusted Free Cash Flow. The PJM fleet ran well during a mild summer, with cash flows supported by hedge gains. In ERCOT, record temperatures and elevated spark spreads enabled our plants to generate significant physical energy margin[1], but that was offset by outages at our Nueces Bay facility and congestion costs. As a result of these outages and congestion costs, we are narrowing 2023 guidance by reducing the upper end of the Adjusted EBITDA range provided in August, which has a minimal impact on Adjusted Free Cash Flow," said Mac McFarland, President and Chief Executive Officer. "We are also establishing 2024 Adjusted EBITDA and Adjusted Free Cash Flow guidance ranges with midpoints higher than our previously disclosed forecast in January. These improvements are largely driven by our new company-wide cost savings initiative, which is expected to result in $50 million of annual run-rate cost reductions." The 2024 guidance ranges reflect updated commodity prices as of September 30, 2023, as well as updated assumptions related to generation output, operation and maintenance costs and capital expenditures.

McFarland continued, "We continue to be focused on disciplined capital allocation and return of capital to shareholders. We demonstrated this commitment in late October when we announced that the Talen Board of Directors has authorized a $300 million share repurchase program."

Key Highlights

- Reported third quarter 2023 Adjusted EBITDA of $224 million and Adjusted Free Cash Flow of $146 million.
- Reported Adjusted EBITDA of $998 million and Adjusted Free Cash Flow of $609 million for the nine months ended September 30, 2023.
- Narrowing 2023 guidance ranges for Adjusted EBITDA to $1,070 to $1,175 million and Adjusted Free Cash Flow to $550 to $585 million.
- Establishing 2024 guidance ranges for Adjusted EBITDA of $600 to $800 million and Adjusted Free Cash Flow of $150 to $300 million.
- Reported hedge position of approximately 71% of expected generation volumes in the fourth quarter of 2023 and approximately 63% in 2024.
- On October 23, 2023, the Talen Board of Directors approved a share repurchase program that gives the Company the ability to repurchase up to $300 million of the Company's outstanding common stock through the fourth quarter of 2025.

[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.

Summary of Financial & Operational Results (Unaudited)

	Three Months Ended September 30,	**Nine Months Ended September 30,**
(Millions of Dollars Unless Otherwise Stated)	**2023**	**2023**

Adjusted EBITDA	$	224	$	998
Adjusted Free Cash Flow	$	146	$	609
Total Generation (a)	10.6 TWh		24.1 TWh	
Carbon-Free Generation	43 %		53 %	
Equivalent Forced Outage Factor ("EFOF") (b)	5.0 %		3.5 %	

(a) Generated MWhs sold after consumption for station use where applicable.

(b) EFOF is 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 plants, including our portion of partially-owned facilities.

Given the impacts of fresh start accounting and the implementation of the plan of reorganization on GAAP earnings in 2023, Talen believes its non-GAAP financial measures of Adjusted EBITDA and Adjusted Free Cash Flow are more meaningful in evaluating its performance. Talen's management team evaluates its financial and operational results utilizing these non-GAAP measures.

For the third quarter 2023, Talen reported Adjusted EBITDA of $224 million and Adjusted Free Cash Flow of $146 million. In PJM, mild summer temperatures drove lower market prices, but cash flows were protected by hedge program gains. The PJM segment earned Adjusted EBITDA of $166 million. In ERCOT, the plants ran well during elevated spark spreads, driving significant physical energy margin, though that was partly offset by outages at our Nueces Bay facility and congestion costs. Together, the ERCOT and WECC segment earned Adjusted EBITDA of $58 million.

Talen achieved strong operational performance with continued emphasis on safety in third quarter 2023, with a fleet EFOF of 5.0% and OSHA Total Recordable Incident Rate of 1.1 (defined as the number of recordable incidents x 200,000 / total number of manhours worked). Total generation was 10.6 TWh, with approximately 43% from carbon-free nuclear generation at Susquehanna.

Other operational and asset highlights include:

PJM Performance

- Reliable fleet performance with ~4% EFOF in the third quarter of 2023 and ~9 TWh of generation.

ERCOT Performance

- Strong performance during period of high pricing drove physical energy margin, offset by Nueces Bay outages and congestion costs.
- ERCOT set 10 new all-time peak demand records during the quarter, including the new record of 85,464 MW on August 10th.
- Talen earned additional revenues from ancillary services, including the recently launched ERCOT Contingency Reserve Service (ECRS) at our quick-start Laredo plant.
- Talen notified ERCOT of its intent to continue operating Barney Davis Unit 1, rather than suspending the unit in late November.

Cumulus Update

- Continued progress on campus monetization; a potential sale or JV focused on: (1) significant upfront return of invested capital and (2) future Susquehanna cash flow growth through long-term PPAs at a premium to the nuclear production tax credit.
- Talen hosted ~70 investors and research analysts on October 24th for a successful site visit day showcasing the intersection of Susquehanna and Cumulus.

Narrowing 2023 Guidance

($ in millions)	**Range**
Adjusted EBITDA	$1,070 – $1,175
Adjusted Free Cash Flow	$550 – $585

Talen is narrowing its 2023 Adjusted EBITDA range by reducing the upper end of the range provided in August, driven by reduced upside opportunity from ERCOT outages and congestion costs, with minimal impact to the Adjusted Free Cash Flow range due to certain cash flow improvement actions. The new range for 2023 Adjusted EBITDA is $1,070 to $1,175 million, and the new range for Adjusted Free Cash Flow is $550 to $585 million.

Establishing 2024 Guidance

($ in millions)	**Range**
Adjusted EBITDA	$600 – $800
Adjusted Free Cash Flow	$150 – $300

Talen is establishing 2024 Adjusted EBITDA and Adjusted Free Cash Flow guidance ranges with midpoints higher than the last forecasted figures disclosed during the restructuring (the "Jan 27th Forecast"). These improvements are driven by the new O&M and G&A cost savings initiative and elevated ERCOT summer spark spreads, partly offset by lower PJM winter prices due to lower natural gas prices. The range for 2024 Adjusted EBITDA is $600 to $800 million, and the range for Adjusted Free Cash Flow is $150 to $300 million.

Cost Savings Initiative

Regarding the new cost savings initiative, Talen performed an assessment of its operational model and cost structure across the Company and identified specific actions to reduce O&M and G&A through a combination of reducing third-party spend, eliminating open positions and consolidating certain functions within the business. A substantial portion of these actions will be executed in the fourth quarter of 2023. The run-rate impact of these cost savings is estimated to be ~$50 million per year across O&M ($35 million) and G&A ($15 million).

Balance Sheet and Liquidity

Talen is focused on maintaining a strong balance sheet, targeting a net leverage ratio of less than 3.5x net debt-to-EBITDA, along with maintaining ample liquidity. As of November 10, 2023, Talen had total available liquidity of approximately $989 million, comprised of approximately $289 million of unrestricted cash and a $700 million completely undrawn revolving credit facility. Using the guidance ranges above, Talen's estimated 2023 and 2024 net leverage ratios are both less than 3.5x.

Update on Hedging Activities and Nuclear Fuel Supply

As of September 30, 2023, Talen had hedged approximately 71% of its expected generation volumes in the fourth quarter of 2023 and approximately 63% in 2024. Talen's hedging program is a key component of the Company's comprehensive fiscal policy and supports the objective of locking in future earnings and cash flows while maintaining upside optionality.

As an update on nuclear fuel supply activities, Talen has eliminated its exposure to all Russian-related counterparties. Currently, Talen's nuclear fuel cycle is 100% contracted through the 2025 fuel load and over 75% contracted through the 2028 fuel load.

Share Repurchase Agreement

On October 23, 2023, Talen announced that its Board of Directors has approved a share repurchase program that gives the Company the ability to repurchase up to $300 million of the Company's outstanding common stock through the fourth quarter of 2025. Repurchases may be made from time to time, at the Company's discretion, in open market transactions at prevailing market prices, or other means in accordance with federal securities laws, and may be repurchased pursuant to a Rule 10b5-1 trading plan. The Company intends to fund repurchases from cash on hand. Repurchases by the Company will be subject to general market and economic conditions, alternative uses for the capital and other factors, and the repurchase program may be suspended, modified or discontinued by the Talen Board of Directors at any time. The Company has no obligation to repurchase any amount of its common stock under the repurchase program.

Earnings Call

The Company will hold an earnings call on Tuesday, November 14, 2023, at 10:00 a.m. EST (9:00 a.m. CST). To participate in the call, please register for the webcast here. Participants can also join by phone by registering here prior to the start time of the call to receive a conference call dial-in number. For those unable to participate in the live event, a digital replay of the earnings call will be archived for approximately one year and will be available on Talen's Investor Relations website at https://talenenergy.investorroom.com/financials-presentations.

About Talen

Talen owns and operates power infrastructure in the United States. We produce and sell electricity, capacity and ancillary services into wholesale power markets in the United States, primarily in PJM, ERCOT and WECC, with our generation fleet principally located in the Mid-Atlantic, Texas and Montana. While the majority of our generation is already produced at zero-carbon nuclear and lower-carbon gas-fired facilities, we are reducing the carbon profile of our fleet through conversions and retirements of wholly-owned coal facilities. In addition, we are developing a hyperscale data center campus adjacent to our zero-carbon Susquehanna nuclear facility that will utilize carbon-free, low-cost energy provided directly from the plant. Consistent with our risk management initiatives, we may execute physical and financial commodity transactions involving power, natural gas, nuclear fuel, oil and coal to economically hedge and optimize our generation fleet. As of September 30, 2023, our generation capacity was 12,374 MW (summer rating). Talen is headquartered in Houston, Texas.

Talen trades on the OTCQX® Best Market under the ticker "TLNE." OTCQX companies meet high financial standards, follow best practice corporate governance, demonstrate compliance with U.S. securities laws, and have a professional third-party sponsor introduction. Investors can find current financial disclosures and Real-Time Level 2 quotes for the Company on www.otcmarkets.com/stock/TLNE/overview.

Additional Information

For additional information and updates about Talen, please visit our Investor Relations webpage at https://talenenergy.investorroom.com, or contact:

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TALEN ENERGY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Successor	**Successor**	**Predecessor**
	Three Months Ended	**May 18 through September 30,**	**January 1 through May 17,**
(Millions of Dollars, except share data)	**2023**	**2023**	**2023**
Capacity revenues	$ 44	$ 70	$ 108
Energy and other revenues	600	788	1,042
Unrealized gain (loss) on derivative instruments	(128)	(41)	60
Operating Revenues	**516**	**817**	**1,210**
Energy Expenses			
Fuel and energy purchases	(253)	(310)	(176)
Nuclear fuel amortization	(47)	(72)	(33)
Unrealized gain (loss) on derivative instruments	44	(2)	(123)
Total Energy Expenses	**(256)**	**(384)**	**(332)**
Operating Expenses			

Operation, maintenance and development	(140)	(209)	(285)
General and administrative	(37)	(55)	(51)
Depreciation, amortization and accretion	(66)	(94)	(200)
Impairments	(2)	(2)	(381)
Other operating income (expense), net	(8)	(11)	(37)
Operating Income (Loss)	**7**	**62**	**(76)**
Nuclear decommissioning trust funds gain (loss), net	(24)	15	57
Interest expense and other finance charges	(68)	(101)	(163)
Reorganization income (expense), net	—	—	799
Other non-operating income (expense), net	(7)	(18)	60
Income (Loss) Before Income Taxes	**(92)**	**(42)**	**677**
Income tax benefit (expense)	16	(3)	(212)
Net Income (Loss)	**(76)**	**(45)**	**465**
Less: Net income (loss) attributable to noncontrolling interest	1	3	(14)
Net Income (Loss) Attributable to Stockholders (Successor) / Member (Predecessor)	**$ (77)**	**$ (48)**	**$ 479**
Per Common Share (Successor)			
Net Income (Loss) Attributable to Stockholders - Basic	$ (1.30)	$ (0.81)	N/A
Net Income (Loss) Attributable to Stockholders - Diluted	$ (1.30)	$ (0.81)	N/A
Weighted-Average Number of Common Shares Outstanding - Basic (in thousands)	59,029	59,029	N/A
Weighted-Average Number of Common Shares Outstanding - Diluted (in thousands)	59,029	59,029	N/A

TALEN ENERGY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	Successor
	September 30,
(Millions of Dollars. except share data)	**2023**

Assets	
Cash and cash equivalents	$ 244
Restricted cash and cash equivalents	520
Accounts receivable, net	168
Inventory, net	298
Derivative instruments	76
Other current assets	123
Total current assets	**1,429**
Property, plant and equipment, net	3,846
Nuclear decommissioning trust funds	1,456
Derivative instruments	1
Other noncurrent assets	160
Total Assets	**$ 6,892**
Liabilities and Equity	
Long-term debt, due within one year	12
Accrued interest	69
Accounts payable and other accrued liabilities	289
Derivative instruments	69
Other current liabilities	85
Total current liabilities	**524**
Long-term debt	2,823
Derivative instruments	11
Postretirement benefit obligations	334
Asset retirement obligations and accrued environmental costs	452
Deferred income taxes	346
Other noncurrent liabilities	44
Total Liabilities	**4,534**

Stockholders' (Successor) / Member's (Predecessor) Equity		
Common stock - $0.001 par value (a)	—	
Additional paid-in capital	2,337	
Accumulated retained earnings (deficit)	(48)	
Accumulated other comprehensive income (loss)	(12)	
Total Stockholders'(Successor) / Member's (Predecessor) Equity	**2,277**	
Noncontrolling interests	**81**	
Total Equity	**2,358**	
Total Liabilities and Equity	**$**	**6,892**

(a) As of September 30, 2023: 350,000,000 shares authorized; 59,028,843 shares issued and outstanding.

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TALEN ENERGY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Successor		**Predecessor**	
	May 18 through September 30,		**January 1 through May 17,**	
(Millions of Dollars)	**2023**		**2023**	
Operating Activities				
Net income (loss)	$	(45)	$	465
Non-cash reconciliation adjustments:				
Unrealized (gains) losses on derivative instruments	49		65	
Nuclear fuel amortization	71		33	
Depreciation, amortization and accretion	89		208	
Impairments	—		381	
Nuclear decommissioning trust funds (gain) loss, net (excluding interest and fees)	1		(43)	
Deferred income taxes	(4)		195	

Reorganization (income) expense, net	—	(933)
Other	23	(43)
Changes in assets and liabilities:		
Accounts receivable, net	(23)	261
Inventory, net	9	10
Other assets	47	98
Accounts payable and accrued liabilities	(89)	(69)
Accrued interest	65	(124)
Other liabilities	(13)	(42)
Net cash provided by (used in) operating activities	**180**	**462**
Investing Activities		
Property, plant and equipment expenditures	(60)	(138)
Nuclear fuel expenditures	(43)	(49)
Nuclear decommissioning trust funds investment sale proceeds	768	949
Nuclear decommissioning trust funds investment purchases	(780)	(959)
Equity investments in affiliates	(3)	(8)
Proceeds from the sale of non-core assets	—	46
Other investing activities	10	2
Net cash provided by (used in) investing activities	**(108)**	**(157)**
Financing Activities		
Contributions from member	—	1,393
Exit Financings proceeds, net of discount	—	2,219
Repayment of Prepetition Secured Indebtedness	—	(3,898)
Payment of make-whole premiums on Prepetition Secured Indebtedness	—	(152)
TLB proceeds, net	289	—
LMBE-MC TLB payments	(294)	(7)
Deferred finance costs	(4)	(74)
Repurchase of warrants	(40)	—

Repurchase of Riverstone noncontrolling interest	(19)		—	
Derivatives with financing elements	—		(20)	
Other	6		—	
Net cash provided by (used in) financing activities	**(62)**		**(539)**	
Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash and Cash Equivalents	**10**		**(234)**	
Beginning of period cash and cash equivalents and restricted cash and cash equivalents	754		988	
End of period cash and cash equivalents and restricted cash and cash equivalents	$	764	$	754

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 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 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.

For a reconciliation of Adjusted EBITDA to the most comparable GAAP financial measure, please refer to the reconciliations at the end of this earnings release. 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.

Forward Looking Statements

This communication contains forward-looking statements within the meaning of the federal securities laws, which statements are subject to substantial risks and uncertainties. These forward-looking statements are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this communication, or incorporated by reference into this communication, are forward-looking statements. Throughout this communication, we have attempted to identify forward-looking statements by using words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "forecasts," "goal," "intend," "may," "plan," "potential," "predict," "project," "seek," "should," "will," or other forms of these words or similar words or expressions or the negative thereof, although not all forward-looking statements contain these terms. Forward-looking statements address future events and conditions concerning, among other things capital expenditures, earnings, litigation, regulatory matters, hedging, liquidity and capital resources and accounting matters. Forward-looking statements are subject to substantial risks and uncertainties that could cause our future business, financial condition, results of operations or performance to differ materially from our historical results or those expressed or implied in any forward-looking statement contained in this communication. All of our forward-looking statements include assumptions underlying or relating to such statements that may cause actual results to differ materially from expectations, and are subject to numerous factors that present considerable risks and uncertainties.

The reconciliation from "Net Income (Loss)" presented on the Condensed Consolidated Statements of Operations to Adjusted EBITDA for the periods were:

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	Three Months Ended September 30,	**Nine Months Ended September 30,**
	2023	**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)
Other	—	—
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**

(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.

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Adjusted EBITDA / Adjusted Free Cash Flow Reconciliation: 2023 Guidance

	2023E	
(Millions of dollars)	**Low**	**High**
Net Income (Loss)	**$ 295**	**$ 400**
<u>**Adjustments**</u>		
Bankruptcy, liability management, and restructuring activities (a)	$ (750)	$ (750)
Interest expense and other finance charges	335	335
Income tax (benefit) expense	200	200

Depreciation, amortization and accretion	365	365
Nuclear fuel amortization	130	130
Unrealized (gain) loss on commodity derivative contracts	145	145
Nuclear decommissioning trust funds (gain) loss, net	(70)	(70)
Non-cash impairments	380	380
Other	40	40
Adjusted EBITDA	**$ 1,070**	**$ 1,175**
Capital expenditures, net (b)	$ (210)	$ (210)
Interest and finance charge payments (c)	(305)	(305)
Tax payments (d)	(15)	(15)
Pension contributions	(20)	(20)
Various items	30	(40)
Adjusted Free Cash Flow	**$ 550**	**$ 585**

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

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

(c) Excluding $117 million 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.

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Adjusted EBITDA / Adjusted Free Cash Flow Reconciliation: 2024 Guidance

	2024E	
(Millions of dollars)	**Low**	**High**
Net Income (Loss)	**$ (20)**	**$ 180**
<u>Adjustments</u>		
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 (b)	(245)	(245)
Tax payments	(5)	(15)
Pension contributions	(35)	(45)
Adjusted Free Cash Flow	**$ 150**	**$ 300**

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

(b) Excluding income taxes paid from the NDT.

SOURCE Talen Energy Corporation