Q4 2023 and FY 2023 Earnings Presentation

Talen Energy Corporation | Amended March 15, 2024

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Agenda

1 Business Review

2 Financial Review

3 Q&A

Significant Progress on Strategic Focus Areas

Strong 2023 Performance

- 2023 was Talen's strongest year ever, meeting our Adjusted EBITDA guidance midpoint of $1.12B and exceeding our Adjusted Free Cash Flow guidance high end of $585mm[1]
- 55% of 2023 generation was carbon-free from our nuclear plant, Susquehanna
- Implemented cost savings program to capture $50mm of annual run-rate G&A + O&M savings by YE 2024

Unlocking Value

- Sold Cumulus data center campus[2] for $650mm gross (~$361mm net) proceeds
  - >2.5x MOIC[3]
  - Long-term growth in earnings and cash flows with investment grade counterparty
- Settled Talen Montana litigation with PPL, with $115mm gross ($104mm net) proceeds to support Colstrip asset retirement obligations

Cleaner Capital Structure

- Emerged from restructuring in May-23 with low leverage and ample liquidity
- Refinanced Lower Mount Bethel-Martins Creek project debt by upsizing Term Loan B
- Acquired Riverstone's Cumulus Digital ownership and retired its Talen warrants
- Used data sale proceeds to pay off Orion debt and buy Orion's ~5% Cumulus Digital equity
- Actively reducing collateral requirements

Prioritizing Shareholders

- Established $300mm share repurchase program ("SRP")
- Realigning with regular-way public company practices (accounting, investor relations, etc.)
- Hosted ~70 investors and sellside analysts for Investor Site Visit Day
- Actively engaged with the investing community, with 3 sellside analysts initiating coverage
- Listed on OTCQX and working on uplisting

Continued Focus on Maximizing Value in 2024+

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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. Sale includes all land, power infrastructure, powered shell and intangibles on the data center campus. Talen retains its interest in the Nautilus cryptocurrency facility.
3. MOIC = Multiple on Invested Capital, which is used to describe the value or performance of an investment relative to its initial cost.

Maximizing Value in 2024+

Financial

- Raising 2024 Adjusted EBITDA and Adjusted Free Cash Flow ranges by adding earnings from AWS agreements and existing Nautilus operations[1], along with incremental capacity revenues from PJM secondary auction
- Orion debt payoff unlocks cash flow distributions from Nautilus
- Executing on $50mm cost savings initiative

Cumulus

- Fully transitioning data center campus to AWS
- Implementing processes to begin earning revenues from new agreements with AWS
- Exploring strategic alternatives for Nautilus operations

Shareholders

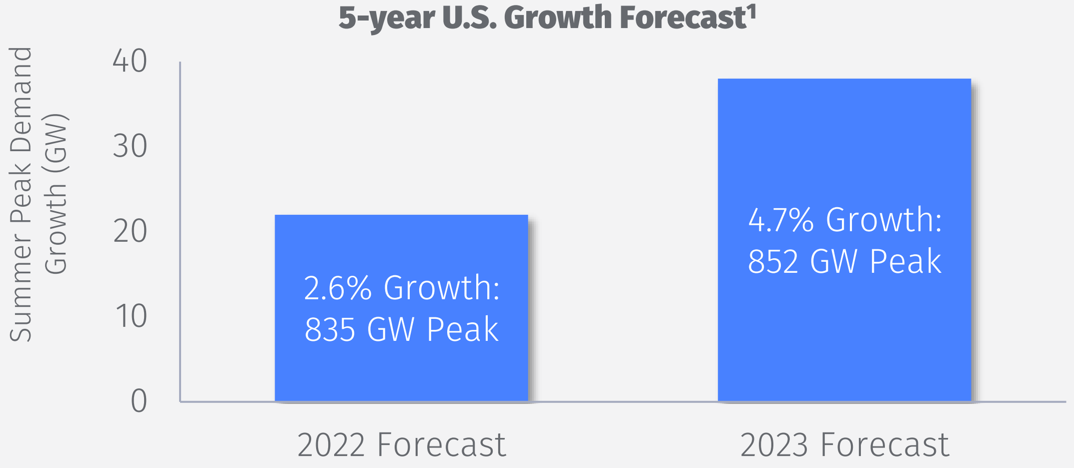
- Purchased 225k shares for ~$14mm to date (~$63/share[2]) under existing $300mm SRP, with ample remaining capacity
- Net proceeds from data center campus transaction to be deployed in line with capital allocation and shareholder returns strategy
- Targeting Q2 2024 for uplisting to a national exchange

Multiple Paths to Grow and Unlock Value

1. Updated ranges include our interest in the Nautilus operations; other Cumulus entities still excluded.
2. Excluding broker fees.

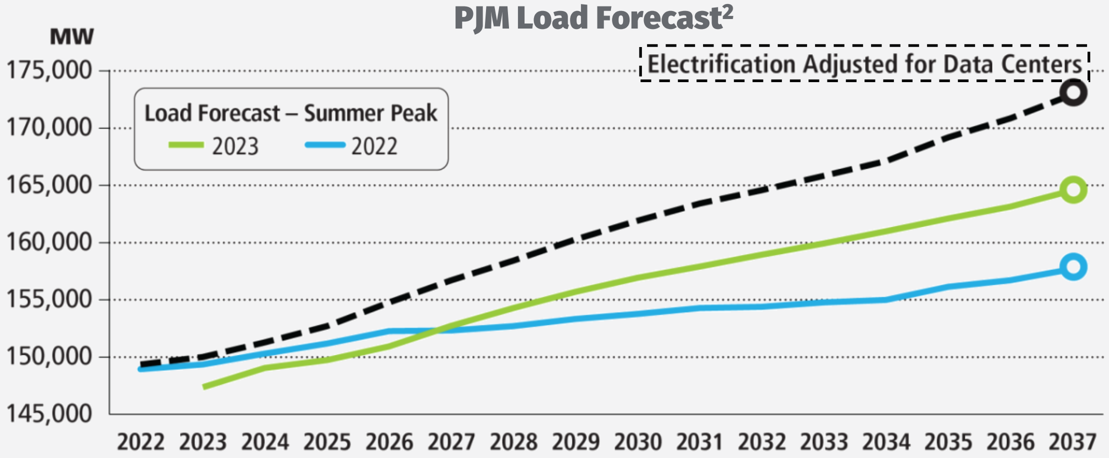
Strong Power Demand Growth For the First Time in Years

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



Spotlight on: PJM Load Forecast

- PJM's long-term load forecast has increased noticeably over the last year
- "Unprecedented data center load growth" in multiple areas[1], including data center hotspot Loudon County, VA



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

Data Centers and AI Driving Electricity Demand Growth

- Primary drivers: **Rapid data center growth with the rise of AI**, new industrial / manufacturing facilities and electrification of transportation and buildings[1]
- Tech companies are expected to invest **~$1 trillion[2]** in AI / data centers over next 5 years, with U.S. data center power demand projected to **nearly triple by 2030[3]**
- AI data centers could require **5 – 7x more power** than traditional facilities[4]
- **>60% of data centers** expected in MISO, CAISO, PJM, and Southeast by 2027[3]

U.S. Data Center Load (Current and Projected)[3]

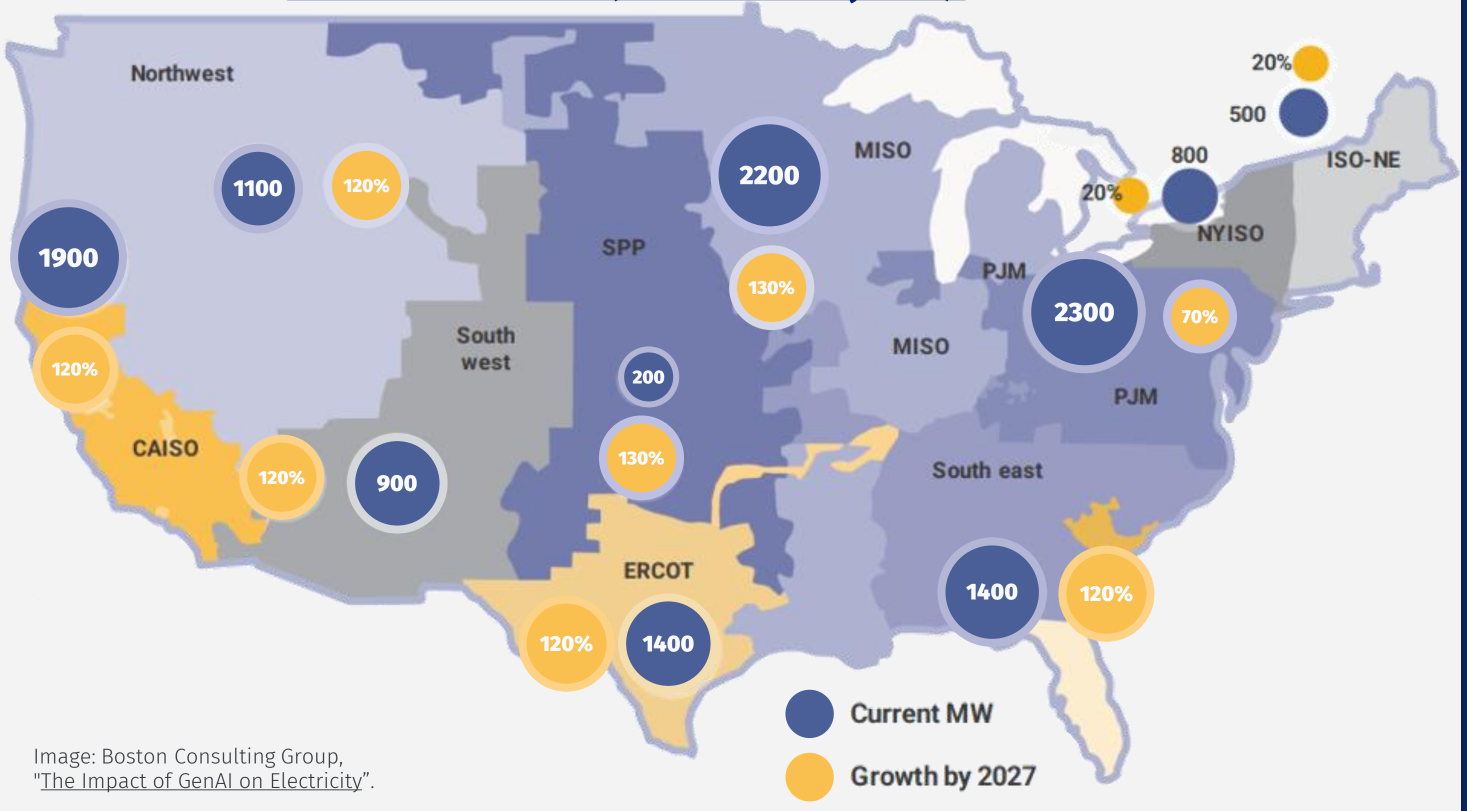


Image: Boston Consulting Group, "The Impact of GenAI on Electricity".

1. Grid Strategies LLC, "The Era of Flat Power Demand is Over".
2. Business Insider, "Data centers are sprouting up as a result of the AI boom, minting fortunes, sucking up energy, and changing rural America".
3. Boston Consulting Group, "The Impact of GenAI on Electricity". The current MW by ISO breaks up total U.S. data center power capacity (~13 GW) in proportion to number of data centers. Projected numbers are based on Arizton expected power by region. Capacity by region from 2023 - 2027 was taken and broken down by current weighted average into the states represented in each of the territories. Source: Digital Infra Real Estate, Omdia, Arizton, BCG Analysis.
4. Wall Street Journal, "AI-Ready Data Centers Are Poised for Fast Growth".

Solid Financial and Operational Performance in 2023

Key Financial Metrics

$1.121bn
2023 Adjusted EBITDA[1]

$587mm
2023 Adjusted Free Cash Flow[1]

~$1bn
Liquidity[2]

~1.6x
Net Debt / 2023 Adjusted EBITDA[3]

Key Operational Metrics

0.6
2023 OSHA Total Recordable Incident Rate[4]

5.5%
2023 Equivalent Forced Outage Factor[5]

33 TWh
2023 Total Generation[6]

55%
2023 Carbon-Free Generation[7]

Note: All metrics exclude Cumulus.

1. 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. Calculated as $459mm unrestricted cash plus $544mm revolver availability, net of outstanding LCs, at 3/8/2024. Excludes current net proceeds from Cumulus Data transaction.
3. Calculated as $2,197mm total debt less $459mm unrestricted cash as of 3/8/2024 divided by 2023 Adjusted EBITDA of $1,121mm.
4. Also known as TRIR; defined as number of recordable incidents x 200,000 / total number of manhours worked. Only includes generation facilities we operate (i.e., excludes Conemaugh and Keystone).
5. Also known as EFOF; defined as the percentage of a given period in which a generating unit is not available due to forced outages and forced deratings. Represents all generation facilities, including our portion of partially-owned facilities.
6. Generated MWhs sold after consumption for station use where applicable.
7. Represents generation from Susquehanna nuclear facility.

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

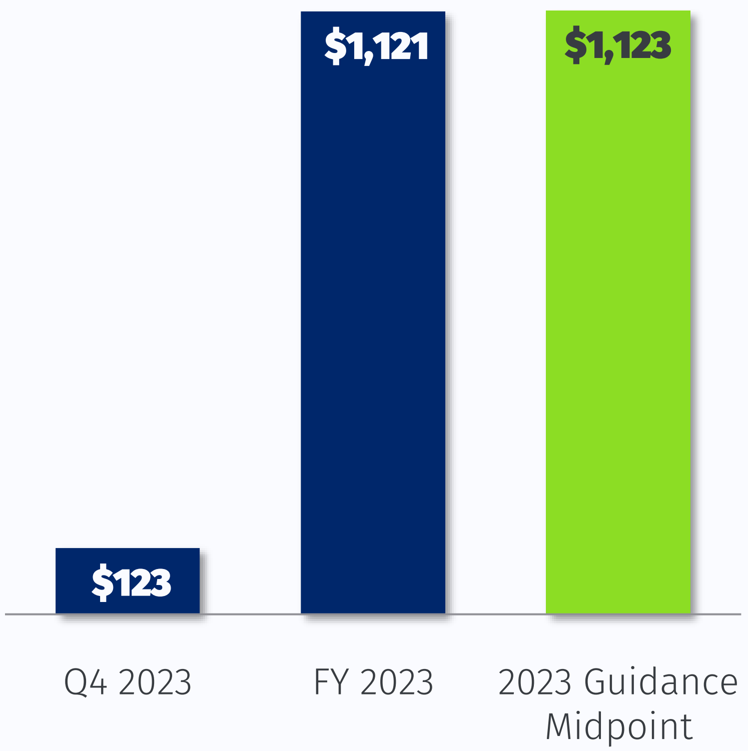
Talen will receive **additional revenue** from AWS related to sales of carbon-free energy to the grid ("CFE")

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

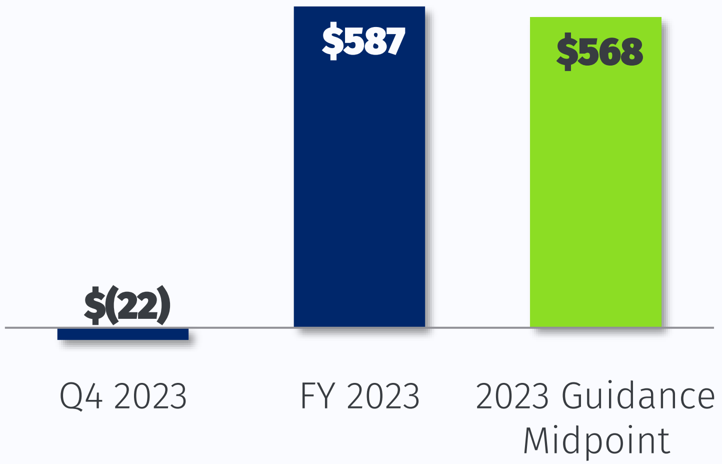
Campus sale for $650mm reflects **attractive return of >2.5x MOIC** on prior growth investments in Cumulus Data

Q4 2023 and FY 2023 Financial Results

Adjusted EBITDA ($mm)



Adjusted Free Cash Flow ($mm)



- **Achieved midpoint of 2023 Adjusted EBITDA guidance**
- **Exceeded high end of 2023 Adjusted Free Cash Flow guidance through managing costs and capex spend**
- **Q4 2023 positively impacted by lower O&M and G&A and less pension funding, negatively impacted by compressed spark spreads**

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.

Updating 2024 Guidance For AWS Agreements, Nautilus Distributions and Incremental Capacity Revenues

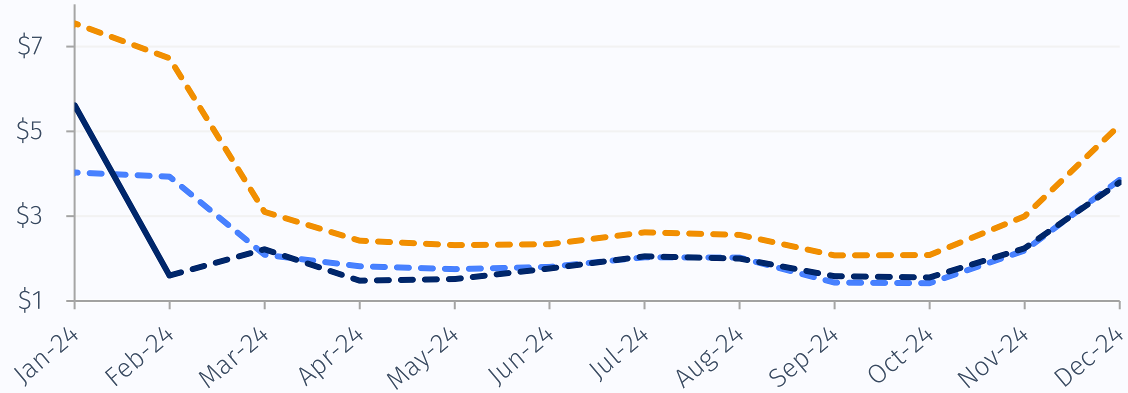
	Updated Range[1]	Initial Range	Commentary
Adjusted EBITDA	$640 – $840 million	$600 – $800 million	Adding earnings from AWS agreements and existing Nautilus operations, along with incremental capacity revenues from recent PJM secondary auction for 2024/2025
Adjusted Free Cash Flow	$185 – $335 million	$150 – $300 million	Does not include $650mm gross (~$361mm net) proceeds from sale of data center campus

Raising 2024 Adjusted EBITDA and Adjusted Free Cash Flow Ranges

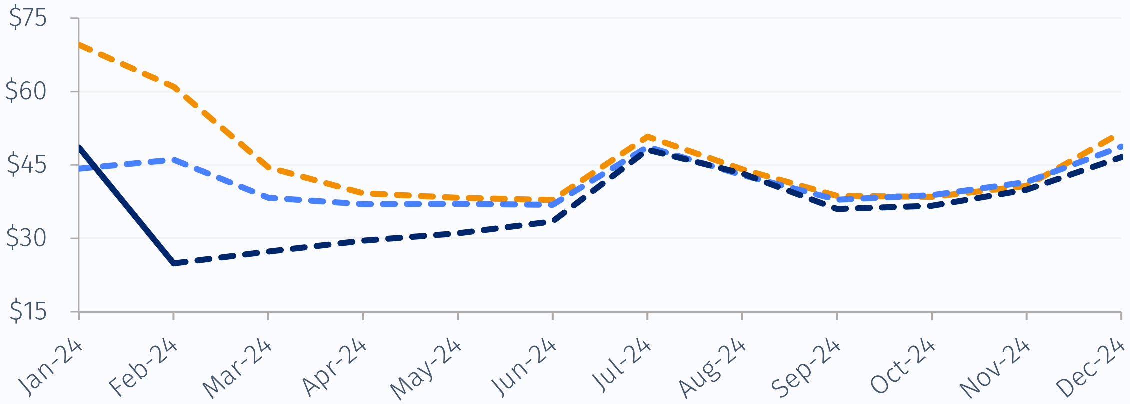
Note: Please refer to Reconciliation of Non-GAAP Financial Measures section of the Appendix for more detail on Adjusted EBITDA and Adjusted Free Cash Flow.
1. Updated ranges include our interest in Nautilus operations; other Cumulus entities still excluded.

2024 PJM Market Overview

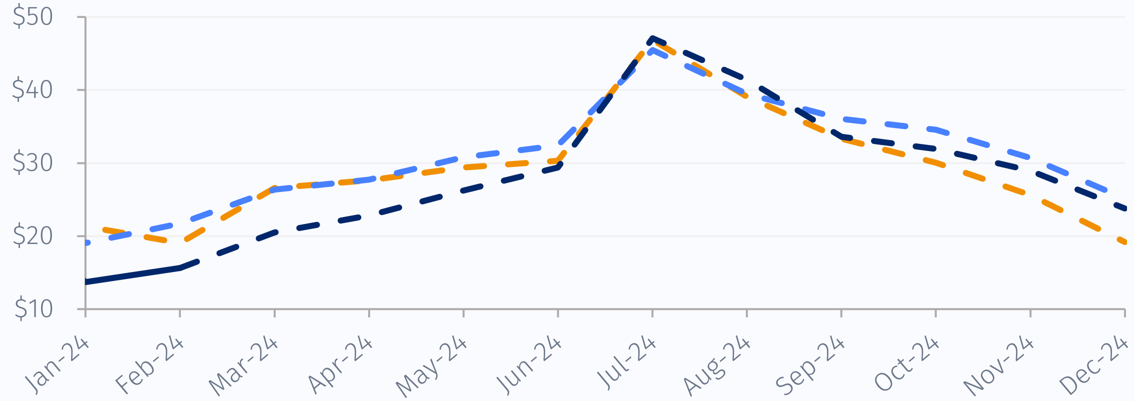
TETCO M3 Gas Prices ($/MMBtu)



PJM West Hub ATC Power Prices ($/MWh)



PJM West Hub Peak Spark Spreads[1] ($/MWh)



Commentary

- Exceptionally mild PJM winter weather, combined with ample gas supply, reduced much of the risk premium out of Q1 '24
- With winter power prices squeezed from the gas market, PJM West Hub prices dropped in Jan / Feb-24, lowering the balance of the 2024 curve as well
- PJM spark spreads have compressed in the front half of the year but slightly expanded in the summer months

Pricing as of Sep 29th (Reflected in initial '24 guidance ranges)
Pricing as of Dec 29th
Pricing as of Feb 29th

Solid line reflects actuals and dotted line reflects projections

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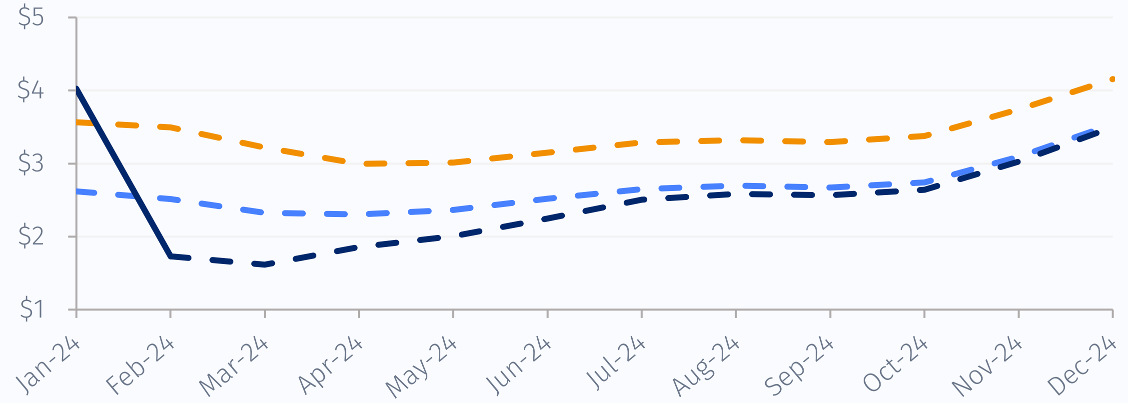
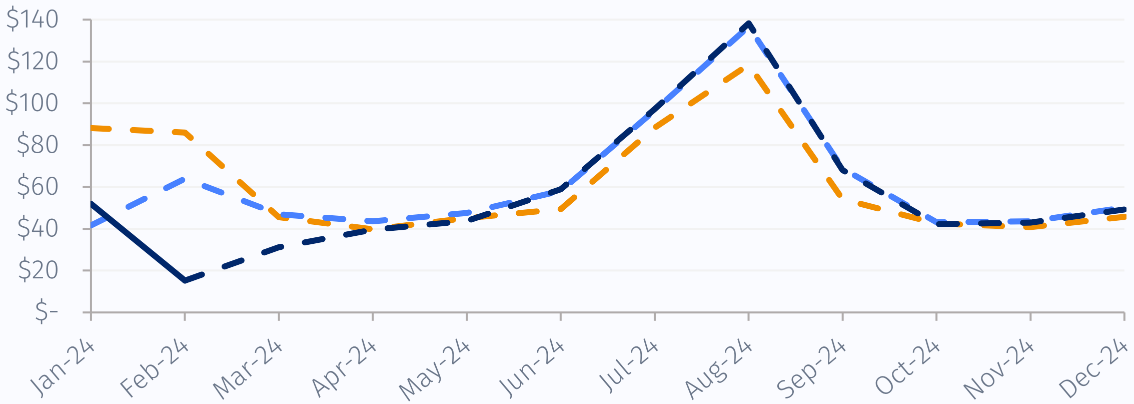
1. Spark spreads are computed based on real-time West Hub prices, TETCO M3 gas prices, and a heat rate of 7 MMBtu/MWh.

2024 ERCOT Market Overview

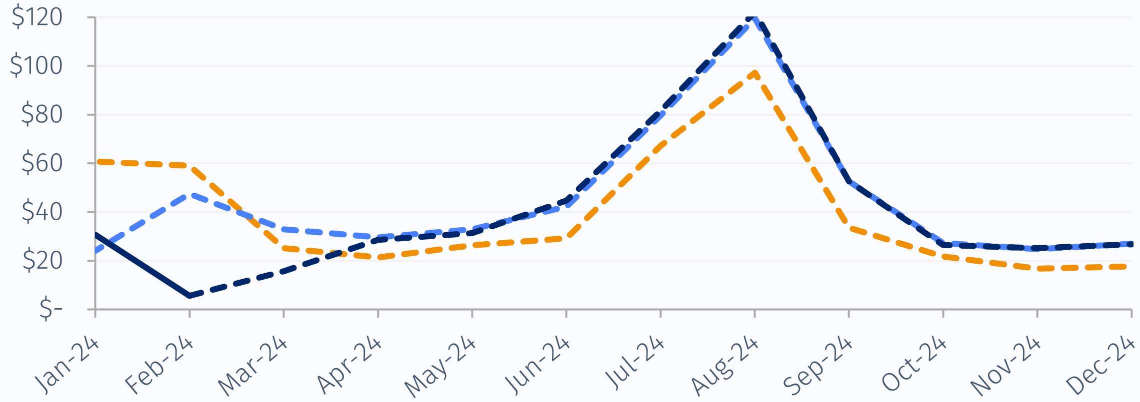
Henry Hub Gas Prices ($/MMBtu)



ERCOT South Hub Peak Power Prices ($/MWh)



ERCOT South Hub Peak Spark Spreads[1] ($/MWh)



Commentary

- Gas pricing at Henry Hub dropped substantially following a mild winter, robust storage and strong U.S. production
- ERCOT South Hub power prices declined in Q1 '24 on mild weather and lower gas prices, though summer retained its premium
- ERCOT South Hub spark spreads benefitted from falling gas prices and continued expectations of tight supply-demand conditions in peak periods

Pricing as of Sep 29th (Reflected in initial '24 guidance ranges)
Pricing as of Dec 29th
Pricing as of Feb 29th

Solid line reflects actuals and dotted line reflects projections

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

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Capital Allocation Update

Capitalization Summary *($mm unless otherwise noted)*	**March 8, 2024**
Unrestricted Cash[1]	$459
Secured Debt	$2,066
Total Debt	**$2,197**
Net Debt	***$1,738***
Credit Metrics	
2023 Adjusted EBITDA	$1,121
Net Debt / 2023 Adjusted EBITDA	*~1.6x*
Total Liquidity[3]	*$1,003*

Share Repurchase Program Update

- Of the $300mm SRP authorized in October 2023, Talen has purchased 225K shares for ~$14mm to date (~$63/share[4])
- Significant repurchase capacity remaining

Focused on Maintaining Net Leverage <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; excluding 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. Includes net proceeds from the PPL settlement, which will be used to support Colstrip asset retirement obligations; excludes current net proceeds from Cumulus Data transaction.
2. Calculated as $459mm unrestricted cash plus $544mm revolver availability, net of outstanding LCs, at 3/8/2024.
3. Excluding broker fees.

Talen's Value Proposition

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

Stable Cash Flows with Upside Optionality from Market Dynamics

Multiple Paths to Unlocking Value from Existing Investments

Focused on Capital Discipline and Shareholder Returns

Appendix

Generation Portfolio Summary

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

Note: Fleet as of 12/31/2023.

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 10 in Talen's 2023 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. Montour completed its coal-to-natural-gas fuel conversion in August 2023 with Montour's Unit 3 dispatchable on natural gas or coal.
5. Notice was provided to PJM of deactivation as of June 1, 2025 for Brandon Shores and H.A. Wagner. See Note 10 in Talen's Annual Financial Statements for additional information on these deactivations.
6. The coal-to-fuel-oil conversion of H.A. Wagner's Unit 3 was completed in December 2023.
7. Coal-fired electric generation is required to cease at Montour by December 2025 and at Brunner Island, Keystone, and Conemaugh by December 2028, with an earlier retirement of coal at the wholly owned Montour and Brunner Island facilities at the Company's election.

Cumulus Data Transaction Details

Campus Sale Reflects Attractive Return of >2.5x MOIC

- Talen sells all physical and intangible assets of Cumulus Data[1] for **gross proceeds of $650mm**
- **$350mm at close; $300mm escrowed,** released upon development milestones anticipated in 2024
- Use of proceeds will **simplify the capital structure** in multiple ways: paying off Orion's debt and interest and buying their ~5% equity stake in Cumulus Digital for $36mm
- Net proceeds of $361mm available for **capital allocation and shareholder returns**

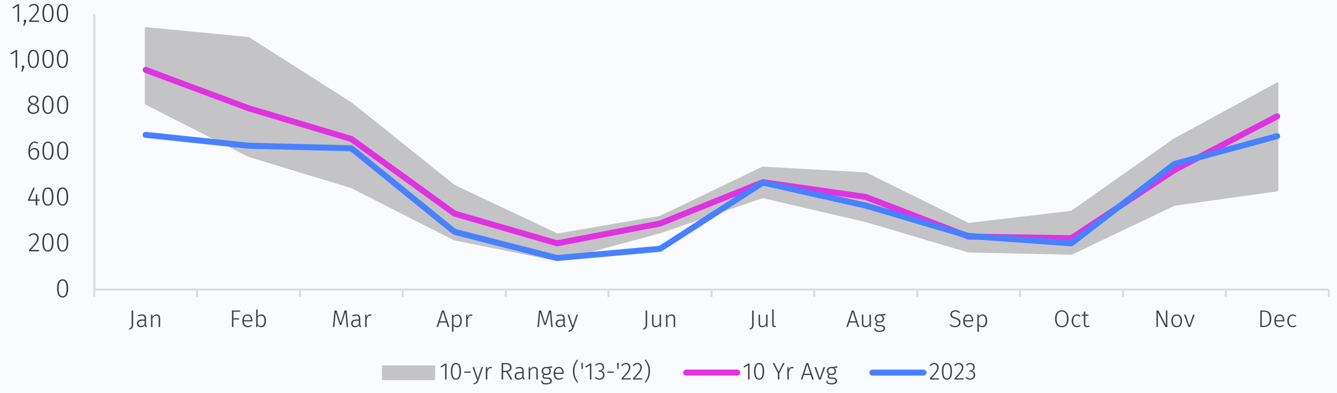
Estimated Use of Proceeds ($mm)[2]

Gross Proceeds	**$650**
Payoff of Orion Debt & Interest	(186)
Estimated Taxes, Transaction Fees, Other Costs	(65)
Minority Equity Interest Buyout / Distribution	(38)
Net Proceeds to Talen	**$361**

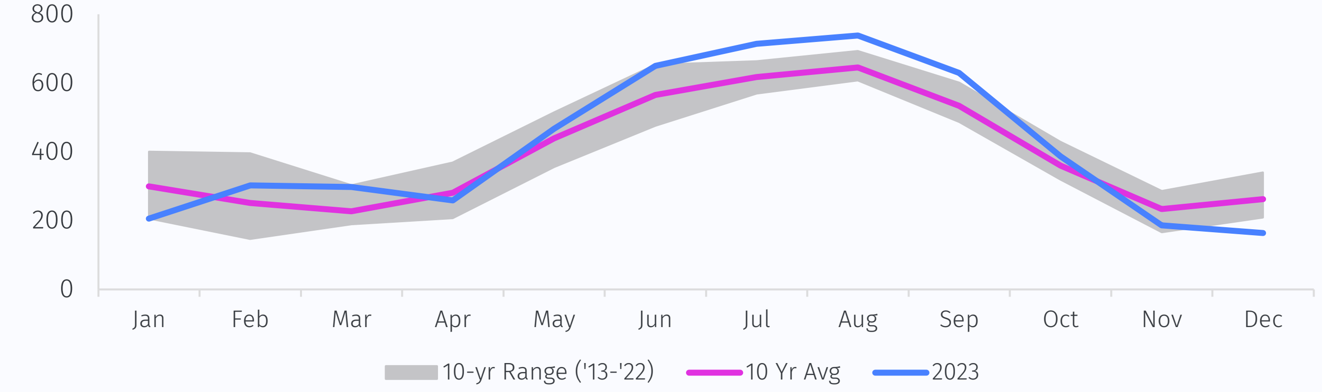
1. Talen retains its interest in the Nautilus cryptocurrency facility.
2. Payoff of Orion debt and interest and payment of transaction fees occurred at close while all other uses occur post-close.

Energy Degree Days: 2023 Year in Review

Total Degree Days (CDDs + HDDs): Philadelphia, PA



Total Degree Days (CDDs + HDDs): Corpus Christi, TX



- **In Jan / Feb-23, degree-days ("DDs") in PA were lower than 10-year average, contributing to muted pricing**
- **In Dec-23, DDs in PA settled below normal levels, setting a bearish tone for pricing in the core winter (Dec-23 to Mar-24) season**
- **In summer '23, DDs in TX hit record highs above the max of the prior 10 years, leading to elevated spark spreads**
- **For most of Q4 '23, TX DDs were below 10-yr normal levels, contributing to tighter spark spreads and weaker pricing going into Q1 '24**

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Hedging Program Supports Cash Flow Stability and Maintains Upside Optionality

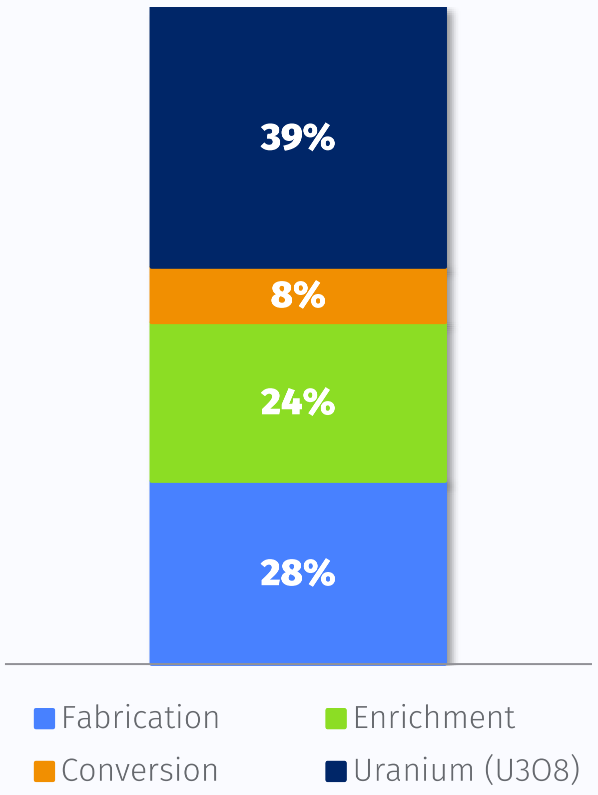
Average Regional Pricing Summary		Balance of 2024[1]	2025
PJM	PJM WHUB ATC as of 9/29/2023 ($/MWh)	$46.23	$47.80
	PJM WHUB ATC as of 2/29/2024 ($/MWh)	$37.22	$46.94
	TETCO M3 as of 9/29/2023 ($/MMBtu)	$3.49	$3.77
	TETCO M3 as of 2/29/2024 ($/MMBtu)	$1.94	$3.15
ERCOT	ERCOT South Peak Spark Spreads as of 9/29/2023 ($/MWh)[2]	$39.98	$30.37
	ERCOT South Peak Spark Spreads as of 2/29/2024 ($/MWh)[2]	$46.36	$33.15

Portfolio Hedge Position and 2/29/2024 Rule of Thumb Power Price Sensitivities[3]	Balance of 2024[1]	2025
% Hedged at 9/29/2023	63% (47% excl. PTC)	26% (14% excl. PTC)
% Hedged at 2/29/2024	80% (55% excl. PTC)	32% (18% excl. PTC)
Impact on Gross Margin[4] of +$5/MWh at 2/29/2024 ($mm)	+$45 (+$100 excl. PTC[5])	+$105 (+$160 excl. PTC[5])
Impact on Gross Margin[4] of -$5/MWh at 2/29/2024 ($mm)	-$40 (-$90 excl. PTC[5])	-$90 (-$155 excl. PTC[5])

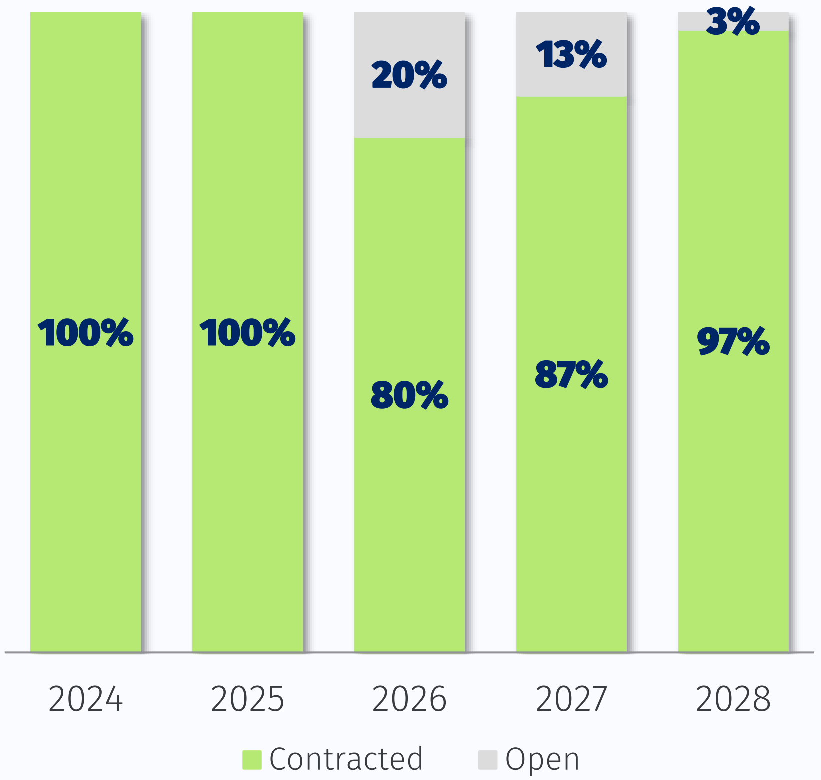
1. "Balance of 2024" for 2/29/2024 pricing case is Mar – Dec-24 and for 9/29/2023 pricing case is FY 2024.
2. ERCOT spark spreads are computed based on a heat rate of 7 MMBtu/MWh.
3. Where applicable, sensitivities adjusted monthly gas prices to maintain consistent heat rate relationships with corresponding power prices for each power market served by a particular gas supply. Figures rounded to nearest $5mm.
4. Gross Margin includes the following line items, which are defined in Talen's Q4 statement of operations: Capacity revenues plus energy and other revenues (which includes realized impact of hedges) plus estimated nuclear PTC benefit, less fuel and energy purchases (which includes realized impact of hedges).
5. Estimated at 90% of projected PTC benefit to reflect potential discount from PTC monetization.

Nuclear Fuel Largely Contracted Through 2028

Nuclear Fuel Cost Breakdown: 2024 Reload Year



% Nuclear Fuel Contracted by Reload Year[1]



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

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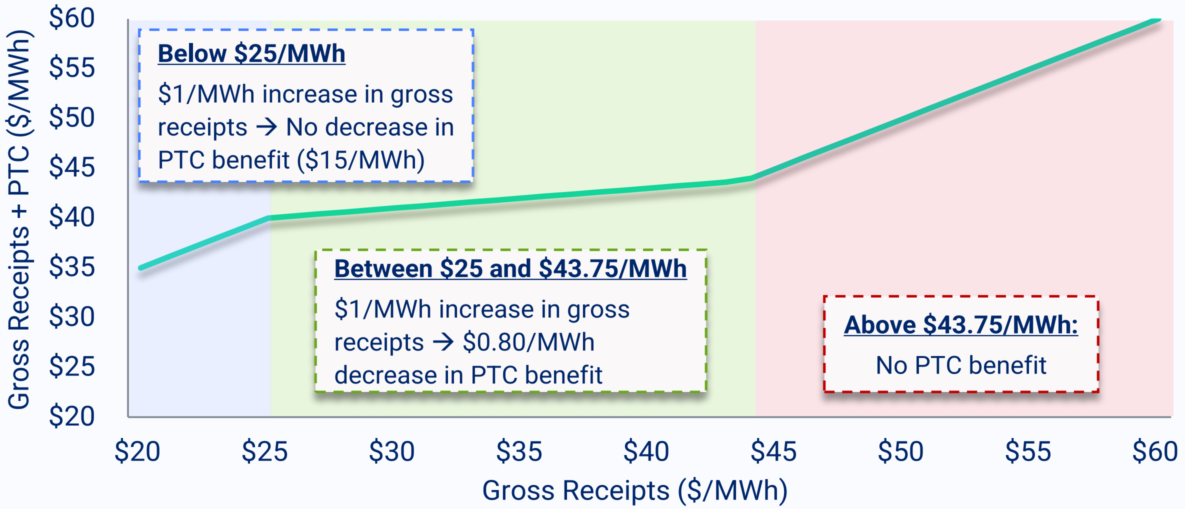
Note: As of 3/11/2024.
1. % of nuclear fuel capex that is open is calculated assuming recent market prices.

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/MWh[1] in 2024, escalating with inflation
- PTC decreases linearly for gross receipts between \$25/MWh and \$43.75/MWh and is fully phased out at gross receipts above \$43.75/MWh
- 2025+ Inflation Adjustment = $\frac{\text{GDP price deflator in preceding year}}{\text{GDP price deflator in 2023}}$
- 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

Nuclear PTC Impact[1]



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

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

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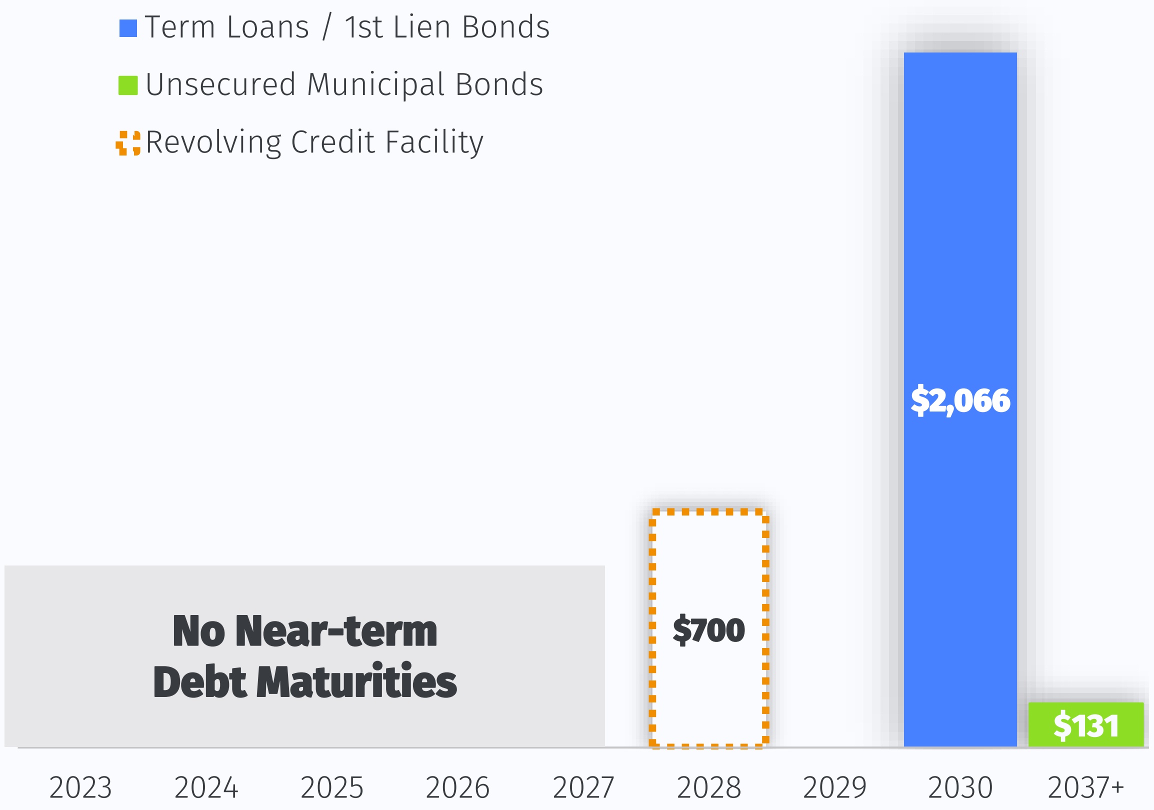
No Debt Maturities Until 2028

Net Debt Summary

($mm)	3/8/2024
Unrestricted Cash[1]	$459
2028 Revolver ($544mm available capacity, net of LCs)	$-
2030 Term Loan B	866
2030 Term Loan C (Cash in restricted accounts)	470
2030 Secured Notes	1,200
Total Secured Debt (Excludes Term Loan C)	**$2,066**
PEDFA Municipal Bonds	131
Total Debt (Excludes Term Loan C)	**$2,197**
Net Debt	***$1,738***

Debt Maturity Summary[3]



Note: 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. Includes net proceeds from PPL settlement, which will be used to support Colstrip asset retirement obligations; excludes current net proceeds from Cumulus Data transaction.
2. Maturities shown exclude LCs under the Revolving Credit Facility and mandatory 1% annual amortization on Term Loan B.

YE 2024E Corporate Credit Profile

($mm unless otherwise noted)	YE 2024E
Unrestricted Cash Range[1]	$633 – $783
Secured Debt	$2,057
Total Debt (Excludes Term Loan C)	**$2,188**
Net Debt	***$1,405 – $1,555***
2024E Adjusted EBITDA	**$640 – $840**
Net Debt / 2024E Adjusted EBITDA	***~1.7x – 2.4x***

Note: Please refer to Reconciliation of Non-GAAP Financial Measures section of the Appendix for more detail on Adjusted EBITDA. Includes our interest in Nautilus operations; other Cumulus entities still excluded.

1. Assumes 2024E guidance ranges and includes net proceeds from the (i) PPL settlement, which will be used to support Colstrip asset retirement obligations and (ii) Cumulus Data transaction, expected to be $361mm at year-end, offset by working capital changes, assumed $150mm of share repurchases, ARO payments, adjustments for delayed payments in the PTC, and other cash items.

Reconciliation of Non-GAAP Financial Measures

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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)	Three Months Ended Dec 31, 2023	Year Ended Dec 31, 2023
Net Income (Loss)	**$188**	**$ 608**
Less: Bankruptcy, Liability Management, and Restructuring Activities		
Reorganization (gain) loss, net (a)	-	(799)
Operational and other restructuring activities (b)	17	55
Bankruptcy exit fees	1	10
Total Bankruptcy, Liability Management, and Restructuring Activities	**$ 18**	**$ (734)**
Other Adjustments		
Interest expense and other finance charges	75	344
Income tax (benefit) expense	48	263
Depreciation, amortization and accretion	71	365
Nuclear fuel amortization	36	141
Unrealized (gain) loss on commodity derivative contracts	(95)	11
Nuclear decommissioning trust funds (gain) loss, net	(93)	(165)
Stock-based and other long-term incentive compensation expense	10	21
Environmental and ARO revisions on fully depreciated property, plant, and equipment (c)	5	5
(Gain) loss on non-core asset sales, net (d)	(7)	(57)
Non-cash impairments (e)	1	384
Legal settlements and litigation costs (f)	(101)	(83)
Unusual market events (g)	(20)	(5)
Net periodic defined benefit cost (h)	1	(1)
Development expenses	-	17
Non-cash fuel inventory net realizable value and obsolescence charges (i)	3	60
Cumulus Digital activities and noncontrolling interest	(20)	(56)
Other	3	3
Total Adjusted EBITDA	**$ 123**	**$ 1,121**
Capital expenditures, net	(41)	(208)
Interest and finance charge payments	(96)	(305)
Tax payments	(2)	(10)
Pension contributions	(6)	(11)
Total Adjusted Free Cash Flow	**$ (22)**	**$ 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: 2024 Guidance

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

($Millions)	2024E (Updated)		2024E (Initial)	
	Low	High	Low	High
Net Income (Loss)	**$20**	**$220**	**$(20)**	**$180**
Adjustments				
Interest expense and other finance charges	$270	$270	$270	$270
Income tax (benefit) expense	25	25	25	25
Depreciation, amortization and accretion	290	290	290	290
Nuclear fuel amortization	90	90	90	90
Unrealized (gain) loss on commodity derivative contracts	(45)	(45)	(45)	(45)
Other	(10)	(10)	(10)	(10)
Adjusted EBITDA	**$640**	**$840**	**$600**	**$800**
Capital expenditures, net (a)	$(165)	$(195)	$(165)	$(195)
Interest and finance charge payments	(245)	(245)	(245)	(245)
Tax payments (b)	(10)	(20)	(5)	(15)
Pension contributions	(35)	(45)	(35)	(45)
Adjusted Free Cash Flow	**$185**	**$335**	**$150**	**$300**

Notes

a) Initial guidance excludes capital expenditures associated with Cumulus entities and Montour and H.A. Wagner fuel conversions, while updated guidance includes our interest in Nautilus operations but there are no go-forward capital expenditures expected.

b) Excluding income taxes paid from the NDT.