Constellation Reports Third Quarter 2022 Results

November 8, 2022

- GAAP Net Loss of ($188) million and Adjusted EBITDA (non-GAAP) of $592 million for the third quarter of 2022
- Narrowing guidance range for full year 2022 Adjusted EBITDA (non-GAAP) from $2,350 million - $2,750 million to $2,450 million - $2,650 million
- Inflation Reduction Act signed into law, a recognition from Federal policymakers of the importance of nuclear energy in fighting the climate crisis
- Our issuer credit rating upgraded by Standard & Poor's (S&P) from BBB- to BBB while maintaining positive outlook, reflecting view that the business risk profile has and will continue to improve
- Notified the Nuclear Regulatory Commission (NRC) of our intent to seek license renewals for our Clinton and Dresden units
- Published our first Sustainability Report detailing our strategy to lead the clean energy transition
- Executed agreement with City of Chicago supporting 300 MW of renewables development and helping Chicago to become one of the largest U.S. cities to commit to clean energy

BALTIMORE--(BUSINESS WIRE)--Nov. 8, 2022-- Constellation Energy Corporation (Nasdaq: CEG) today reported its financial results for the third quarter of 2022.

"We reported solid quarterly financial and operational results, and our long-term outlook has strengthened significantly with passage of the landmark Inflation Reduction Act, which will allow us to create value and drive America's clean energy transition," said Joe Dominguez, president and CEO of Constellation. "Support for carbon-free energy in the legislation creates opportunities for us to extend the life of our nuclear fleet past mid-century and pursue hydrogen production to slash emissions from difficult-to-decarbonize sectors of the economy. Now there are both state and federal policies that recognize the essential role our zero-carbon nuclear assets must play in achieving our nation's climate goals, preserving jobs and ensuring a secure energy supply."

"The commercial business continues to post better-than-expected results, and our nuclear fleet remains the most reliable and cost-efficient in the business despite unplanned outages during the quarter," said Dan Eggers, chief financial officer of Constellation. "S&P upgraded our credit rating to BBB due to our strong balance sheet and the clear support for carbon-free energy in the IRA. Adjusted third-quarter EBITDA of $592 million was in line with our expectations, and we are narrowing our full-year EBITDA range to $2.45 billion to $2.65 billion."

Third Quarter 2022

Our GAAP Net Loss for the third quarter of 2022 was ($188) million, down from $607 million GAAP Net Income in the third quarter of 2021. Adjusted EBITDA (non-GAAP) for the third quarter of 2022 decreased to $592 million from $967 million in the third quarter of 2021. For the reconciliations of GAAP Net (Loss) Income to Adjusted EBITDA (non-GAAP), refer to the tables beginning on page 3.

Adjusted EBITDA (non-GAAP) in the third quarter of 2022 primarily reflects:

- Decreased capacity revenues, increased labor, contracting and material costs and the absence of gains on CTV investments realized in the prior year.

Recent Developments and Third Quarter Highlights

- **Inflation Reduction Act Signed into Law:** On Aug. 16, 2022, Congress passed and President Biden signed into law the Inflation Reduction Act of 2022, which, among other things, includes federal tax credits, certain of which are transferable or fully refundable, for clean energy technologies including existing nuclear plants and hydrogen production facilities. The Nuclear Production Tax Credit (PTC) recognizes the contributions of carbon-free nuclear power by providing a federal tax credit of up to $15/MWh, subject to phase-out, beginning in 2024 and continuing through 2032. The Hydrogen PTC provides a 10-year federal tax credit of up to $3/kilogram for clean hydrogen produced after 2022 from facilities that begin construction prior to 2033. Both the Nuclear and Hydrogen PTCs include adjustments for inflation. The Hydrogen PTC creates additional opportunities for our nuclear fleet to enable decarbonization of other industries through the production of clean hydrogen. With this policy support, we expect that many of our nuclear assets will operate through the end of the Nuclear PTC period.
- **Our issuer credit rating upgraded to BBB with positive outlook:** On Oct. 13, 2022, S&P rating services raised our issuer credit rating (ICR) to 'BBB' from 'BBB-', reflecting S&P's view of a material improvement in our business risk profile. S&P cited the passage of the Inflation Reduction Act of 2022 as a material credit positive for us. In S&P's view, the nuclear production tax credits in the legislation provide long-term visibility into the cash flows for our nuclear fleet and benefit potential future hydrogen production.

- **Seeking license renewals for Clinton and Dresden Nuclear Power Plants**: On Oct. 31, 2022, we announced our intent to seek renewal of the operating licenses for our Clinton and Dresden nuclear power plants. These renewals, if granted, would allow the plants to operate for an additional 20 years. Clinton could operate until 2047 and Dresden could operate until 2049 (Unit 2) and 2051 (Unit 3). The continued operation of the two zero-carbon plants is enabled by state and federal legislation that recognizes the unique environmental and economic value of nuclear energy.
- **Published our first Sustainability Report detailing our strategy to lead the clean energy transition and fight the climate crisis:** On Sept. 7, 2022, we released our first sustainability report, highlighting our efforts to accelerate the transition to a carbon-free future, mitigate the climate crisis and support energy equity and environmental justice. The report details our innovative clean energy center model, powered by always-on, carbon-free nuclear plants, that will bring together new and emerging technologies to help decarbonize other polluting sectors of the economy. Additionally, the report outlines the need to begin transitioning toward a more accurate carbon accounting approach, along with the tools we are helping to pioneer, such as the hourly carbon-free energy matching platform to help our customers achieve true-zero emissions.
- **Executed long-term agreement with the City of Chicago supporting 300 MW of renewables development through our Constellation Offsite Renewables (CORe) product:** On Aug. 8, 2022, we announced an agreement with the City of Chicago to help meet the City's commitment to purchase renewable energy for all its facilities and operations by 2025. In addition to enabling the development of Swift Current Energy's 590 MW Double Black Diamond solar project, the agreement makes the City of Chicago one of the largest U.S. cities to commit to clean energy and will help reduce the City's carbon footprint by more than 290,000 metric tons per year.
- **Our leaders joined State and Federal officials to celebrate progress on nation's first nuclear-powered clean hydrogen facility:** On Sept. 28, 2022, leaders from the U.S. Department of Energy (DOE), the New York State Energy Research and Development Authority (NYSERDA), and the New York State Public Service Commission (PSC) joined our leaders and employees at Nine Mile Point Nuclear Generating Station (NMP) to celebrate progress on the nation's first nuclear-powered clean hydrogen production facility, which will begin production by the end of the year. Last year, as part of a $5.8 million award, DOE approved moving forward with construction and installation of an electrolyzer system at NMP that will separate hydrogen and oxygen molecules in water to produce carbon-free hydrogen. In addition, NYSERDA recently announced $12.5 million in funding to help demonstrate hydrogen fuel cell technology at the plant to provide long-duration energy storage for the electric grid. The hydrogen fuel cell project at NMP is currently being designed and is expected to be operational in 2025. These projects will demonstrate the viability of hydrogen electrolyzer and fuel cell technologies, setting the stage for possible deployment at other clean energy centers in our nuclear fleet. As part of our broader decarbonization strategy, we are currently working with public and private entities representing every phase in the hydrogen value chain to pursue development of regional hydrogen production and distribution hubs, including participation in the Midwest Alliance for Clean Hydrogen or "MachH2" hydrogen hub.
- **Nuclear Operations:** Our nuclear fleet, including our owned output from the Salem Generating Station, produced 43,794 gigawatt-hours (GWhs) in the third quarter of 2022, compared with 44,350 GWhs in the third quarter of 2021. Excluding Salem, our nuclear plants at ownership achieved a 96.4% capacity factor for the third quarter of 2022, compared with 97.7%[1] for the third quarter of 2021. There were five planned refueling outage days in the third quarter of 2022 and 22 in the third quarter of 2021. There were 26 non-refueling outage days in the third quarter of 2022 and none in the third quarter of 2021.
- **Natural Gas, Oil, and Renewables Operations:** The dispatch match rate for our gas and hydro fleet was 98.8% in the third quarter of 2022, compared with 99.4% in the third quarter of 2021. Energy capture for the wind and solar fleet was 95.7% in the third quarter of 2022, compared with 95.8% in the third quarter of 2021.

GAAP/Adjusted EBITDA (non-GAAP) Reconciliation

Adjusted EBITDA (non-GAAP) for the third quarter of 2022 and 2021, respectively, does not include the following items that were included in our reported GAAP Net (Loss) Income:

(in millions)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021
GAAP Net (Loss) Income Attributable to Common Shareholders	**$ (188)**	**$ 607**
Income Taxes	(149)	177
Depreciation and Amortization	262	866
Interest Expense, Net	75	77
Unrealized Loss (Gain) on Fair Value Adjustments	550	(614)
Asset Impairments	—	45
Plant Retirements and Divestitures	5	(62)
Decommissioning-Related Activities	88	(130)
Pension & OPEB Non-Service Costs	(27)	(11)
Separation Costs	30	16
COVID-19 Direct Costs	—	5

Acquisition Related Costs		—		11
ERP System Implementation Costs		5		5
Change in Environmental Liabilities		3		5
Cost Management Program		—		4
Prior Merger Commitment		(50)		—
Noncontrolling Interests		(12)		(34)
Adjusted EBITDA (non-GAAP)	**$**	**592**	**$**	**967**

Webcast Information

We will discuss third quarter 2022 earnings in a conference call scheduled for today at 10 a.m. Eastern Time. The webcast and associated materials can be accessed at https://investors.constellationenergy.com.

About Constellation

Constellation Energy Corporation (Nasdaq: CEG) is the nation's largest producer of clean, carbon-free energy and a leading supplier of energy products and services to millions of homes, institutional customers, the public sector, community aggregations and businesses, including three fourths of Fortune 100 companies. Headquartered in Baltimore, our fleet of nuclear, hydro, wind and solar facilities has the generating capacity to power the equivalent of approximately 15 million homes, providing 10 percent of the nation's carbon-free electricity. Our fleet is helping to accelerate the nation's transition to clean energy with more than 32,400 megawatts of capacity and annual output that is nearly 90 percent carbon-free. We have set a goal to achieve 100 percent carbon-free power generation by 2040 by leveraging innovative technology and enhancing our diverse mix of hydro, wind and solar resources paired with the nation's largest nuclear fleet. Follow Constellation on LinkedIn and Twitter.

Non-GAAP Financial Measures

In analyzing and planning for our business, we supplement our use of net income as determined under generally accepted accounting principles in the United States (GAAP), with Adjusted EBITDA (non-GAAP) as a performance measure. Adjusted EBITDA (non-GAAP) reflects an additional way of viewing our business that, when viewed with our GAAP results and the accompanying reconciliation to GAAP net income included above, may provide a more complete understanding of factors and trends affecting our business. Adjusted EBITDA (non-GAAP) should not be relied upon to the exclusion of GAAP financial measures and is, by definition, an incomplete understanding of our business, and must be considered in conjunction with GAAP measures. In addition, Adjusted EBITDA (non-GAAP) is neither a standardized financial measure, nor a presentation defined under GAAP and may not be comparable to other companies' presentations or deemed more useful than the GAAP information provided elsewhere in this press release and earnings release attachments. We have provided the non-GAAP financial measure as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. Adjusted EBITDA (non-GAAP) should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP Net Income measure provided in this earnings release and attachments. This press release and earnings release attachments provide reconciliations of Adjusted EBITDA (non-GAAP) to the most directly comparable financial measures calculated and presented in accordance with GAAP, are posted on our website: www.ConstellationEnergy.com, and have been furnished to the Securities and Exchange Commission on Form 8-K on November 8, 2022.

Cautionary Statements Regarding Forward-Looking Information

This press release contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. Words such as "could," "may," "expects," "anticipates," "will," "targets," "goals," "projects," "intends," "plans," "believes," "seeks," "estimates," "predicts," and variations on such words, and similar expressions that reflect our current views with respect to future events and operational, economic, and financial performance, are intended to identify such forward-looking statements.

The factors that could cause actual results to differ materially from the forward-looking statements made by Constellation Energy Corporation and Constellation Energy Generation, LLC, (Registrants) include those factors discussed herein, as well as the items discussed in (1) the Registrants' 2021 Annual Report on Form 10-K in (a) Part I, ITEM 1A. Risk Factors, (b) Part II, ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, and (c) Part II, ITEM 8. Financial Statements and Supplementary Data: Note 19, Commitments and Contingencies; (2) the Registrants' Third Quarter 2022 Quarterly Report on Form 10-Q (to be filed on November 8, 2022) in (a) Part II, ITEM 1A. Risk Factors, (b) Part I, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, and (c) Part I, ITEM 1. Financial Statements: Note 15, Commitments and Contingencies; and (3) other factors discussed in filings with the SEC by the Registrants.

Investors are cautioned not to place undue reliance on these forward-looking statements, whether written or oral, which apply only as of the date of this press release. Neither of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this press release.

[1]Prior year capacity factor was previously reported as 96.0%. The update reflects a change to the ratio from using the full average annual mean capacity to the net monthly mean capacity when calculating capacity factor. There is no change to actual output and the full year capacity factor would be the same under both methodologies.

Constellation Energy Corporation
GAAP Consolidated Statements of Operations and
Adjusted EBITDA (non-GAAP) Reconciling Adjustments
(unaudited)
(in millions, except per share data)

	Three Months Ended September 30, 2022			Three Months Ended September 30, 2021		
	GAAP (a)	**Non-GAAP Adjustments**		**GAAP (a)**	**Non-GAAP Adjustments**	
Operating revenues	$ 6,051	$ 680	(b),(c)	$ 4,406	$ 634	(b),(c)

Operating expenses						
Purchased power and fuel	4,695	132	(b)	1,546	1,386	(b),(d)
Operating and maintenance	989	191	(c),(d),(h),(i),(k),(r)	938	96	(c),(d),(e),(f),(g),(h),(i),(j),(k),(p)
Depreciation and amortization	262	(262)	(l)	866	(866)	(l)
Taxes other than income taxes	145	—		115	—	
Total operating expenses	6,091			3,465		
(Loss) gain on sales of assets and businesses	(1)	1	(d)	65	1	(d)
Operating income (loss) income	(41)			1,006		
Other income and (deductions)						
Interest expense, net	(75)	75	(m)	(77)	77	(m)
Other, net	(196)	220	(b),(c),(j),(q)	(115)	121	(b),(c),(d)
Total other income and (deductions)	(271)			(192)		
(Loss) income before income taxes	(312)			814		
Income taxes	(123)	123	(n)	177	(177)	(n)
Equity in losses of unconsolidated affiliates	(4)	—		(4)	—	
Net (loss) income	(193)			633		
Net (loss) income attributable to noncontrolling interests	(5)	12	(o)	26	34	(o)
Net (loss) income attributable to common shareholders	$ (188)			$ 607		
Effective tax rate	39.4%			21.7%		
Earnings per average common share						
Basic	$ (0.57)			$ —		
Diluted	$ (0.57)			$ —		
Average common shares outstanding						
Basic	327			—		
Diluted	328			—		

a. Results reported in accordance with GAAP.
b. Adjustment for mark-to-market on economic hedges and fair value adjustments related to gas imbalances and equity investments.
c. Adjustment for all gains and losses associated with NDTs, ARO accretion, ARO remeasurement, and any earnings neutral impacts of contractual offset for Regulatory Agreement Units.
d. Adjustments related to plant retirements and divestitures.
e. In 2021, adjustment primarily for reorganization and severance costs related to cost management programs.
f. In 2021, adjustment for direct costs related to COVID-19 consisting primarily of costs to acquire personal protective equipment, costs for cleaning supplies and services, and costs to hire healthcare professionals to monitor the health of employees.
g. In 2021, adjustment for costs related to the acquisition of EDF's interest in CENG, which was completed in the third quarter of 2021.
h. Adjustment for costs related to a multi-year ERP system implementation.
i. Adjustment for certain incremental costs related to the separation (system-related costs, third-party costs paid to advisors, consultants, lawyers, and other experts assisting in the separation), including a portion of the amounts billed to us pursuant to the TSA.
j. Adjustment for Pension and Other Postretirement Employee Benefits (OPEB) Non-Service costs. Historically, we were allocated our portion of pension and OPEB non-service costs from Exelon, which was included in Operating and maintenance expense. Effective February 1, 2022, the non-service credit (cost) components are included in Other, net.
k. Adjustment for certain changes in environmental liabilities.
l. Adjustment for depreciation and amortization expense.
m. Adjustment for interest expense.

n. Adjustment for income taxes.
o. Adjustment for elimination of the noncontrolling interest related to certain adjustments. In 2022, primarily relates to CRP and in 2021, primarily relates to CENG and the noncontrolling interest portion of a wind project impairment recognized within CRP.
p. Reflects an impairment of a wind project.
q. In 2022, includes amounts contractually owed to Exelon under the tax matters agreement.
r. Reversal of a charge related to a prior 2012 merger commitment.

Constellation Energy
GAAP Consolidated Statements of Operations and
Adjusted (non-GAAP) EBITDA Reconciling Adjustments
(unaudited)
(in millions, except per share data)

	Nine Months Ended September 30, 2022			Nine Months Ended September 30, 2021		
	GAAP [a]	Non-GAAP Adjustments		GAAP [a]	Non-GAAP Adjustments	
Operating revenues	$ 17,107	$ 1,896	(b),(c)	$ 14,117	$ 955	(b),(c)
Operating expenses						
Purchased power and fuel	11,754	1,263	(b)	8,103	2,084	(b),(d)
Operating and maintenance	3,466	57	(c),(d),(h),(i),(j),(k) (r)	3,413	(111)	(c),(d),(e),(f),(g),(h),(i),(j),(k),(p)
Depreciation and amortization	818	(818)	(l)	2,735	(2,735)	(l)
Taxes other than income taxes	415	(2)	(h)	354	—	
Total operating expenses	16,453			14,605		
Gain on sales of assets and businesses	13	1	(d)	144	(68)	(d)
Operating income (loss)	667			(344)		
Other income and (deductions)						
Interest expense, net	(187)	187	(m)	(225)	225	(m)
Other, net	(1,169)	1,213	(b),(c),(d),(i),(j),(q)	561	(537)	(b),(c),(d)
Total other income and (deductions)	(1,356)			336		
Loss before income taxes	(689)			(8)		
Income taxes	(504)	504	(n)	108	(108)	(n)
Equity in losses of unconsolidated affiliates	(10)	—		(6)	—	
Net loss	(195)			(122)		
Net (loss) income attributable to noncontrolling interests	(1)	37	(o)	125	40	(o)
Net loss attributable to common shareholders	$ (194)			$ (247)		
Effective tax rate[q]	73.1%			(1,350.0) %		
Earnings per average common share						
Basic	$ (0.59)			$ —		
Diluted	$ (0.59)			$ —		
Average common shares outstanding						

Basic	327	—
Diluted	328	—

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Source: Constellation Energy Corporation