# NRG Energy, Inc. Reports Full Year Results and Reaffirms Guidance

February 27, 2020

- **Completed $250 million share repurchase authorization, announced on the Q2 2019 call; $1.6 billion completed since January 1, 2019**
- **Achieved 2019 Transformation Plan cost savings target of $590 million and working capital target of $370 million, and delivered margin enhancement of $135 million**
- **Initiated and paid increased quarterly dividend of $0.30 per share, representing $1.20 on an annualized basis**

PRINCETON, N.J.--(BUSINESS WIRE)--Feb. 27, 2020-- NRG Energy, Inc. (NYSE: NRG) today reported full year 2019 income from continuing operations of $4.1 billion, or $16.81 per diluted common share. This increase in income from continuing operations is driven by the release of a $3.5 billion tax valuation allowance due to continuing evidence of historical and forecasted positive earnings. Adjusted EBITDA for the full year 2019 was $2.0 billion, cash from continuing operations was $1.4 billion and FCFbG was $1.2 billion. Cash from continuing operations and FCFbG were impacted by certain cash receipts previously expected in 2019, which are now expected to be received in 2020.

“Our integrated platform delivered another year of stable financial and operational results,” said Mauricio Gutierrez, NRG President and Chief Executive Officer. “The strength of our business model provides the financial flexibility to continue perfecting our platform while consistently returning significant capital to our shareholders.”

**Consolidated Financial Results [a]**

| | Three Months Ended | | Twelve Months Ended | |
|---|---|---|---|---|
| ($ in millions) | 12/31/19 | 12/31/18 | 12/31/19 | 12/31/18 |
| Income/(Loss) from Continuing Operations | $ 3,463 | $ (92) | $ 4,120 | $ 460 |
| Cash From Continuing Operations | $ 552 | $ 332 | $ 1,405 | $ 1,003 |
| Adjusted EBITDA | $ 384 | $ 273 | $ 1,977 | $ 1,777 |
| Free Cash Flow Before Growth Investments (FCFbG) | $ 575 | $ 351 | $ 1,212 | $ 1,120 |

a. In accordance with GAAP, 2018 results have been recast to reflect the discontinued operations of the South Central Portfolio, Clearway Energy, the Renewables Platform and Carlsbad Energy Center

**Segment Results**

**Table 1: Income/(Loss) from Continuing Operations**

| ($ in millions) | Three Months Ended | | Twelve Months Ended | |
|---|---|---|---|---|
| Segment | 12/31/19 | 12/31/18 | 12/31/19 | 12/31/18 |
| Retail | $ 233 | $ 331 | $ 487 | $ 1,062 |
| Generation [a] | (15) | (256) | 780 | 2 |
| Corporate | 3,245 | (167) | 2,853 | (604) |
| Income/(Loss) from Continuing Operations | $ 3,463 | $ (92) | 4,120 | $ 460 |

a. In accordance with GAAP, 2018 results have been recast to reflect the discontinued operations of the South Central Portfolio, Clearway Energy, the Renewables Platform and Carlsbad Energy Center

**Table 2: Adjusted EBITDA**

| ($ in millions) | Three Months Ended | | Twelve Months Ended | |
|---|---|---|---|---|
| Segment | 12/31/19 | 12/31/18 | 12/31/19 | 12/31/18 |
| Retail | $ 258 | $ 197 | $ 920 | $ 952 |
| Generation [a] | 130 | 84 | 1,069 | 864 |
| Corporate | (4) | (8) | (12) | (39) |
| Adjusted EBITDA [b] | $ 384 | $ 273 | 1,977 | $ 1,777 |

a. In accordance with GAAP, 2018 results have been recast to reflect the discontinued operations of the South Central Portfolio, Clearway Energy, the Renewables Platform and Carlsbad Energy Center

b. See Appendices A-1 through A-4 for Operating Segment Reg G reconciliations

**Retail**

Full year 2019 Adjusted EBITDA was $920 million, $32 million lower than 2018, driven by higher supply costs, capacity obligations and weather, partially offset by margin enhancement initiatives and growth related to M&A activity.

Fourth quarter Adjusted EBITDA was $258 million, $61 million higher than the fourth quarter of 2018, driven by margin enhancement initiatives and the acquisition of Stream Energy.

**Generation**

Full year 2019 Adjusted EBITDA was $1,069 million, $205 million higher than 2018, driven by:

- Texas: $364 million increase due to higher realized power prices, partially offset by higher operating expenses driven by forced outage at WA Parish and Gregory return-to-service costs; and
- East/West[1]: $159 million decrease primarily due to $178 million decrease in EBITDA from 2018 asset sales and the deconsolidation of projects, partially offset by lower operating expenses.

Fourth quarter Adjusted EBITDA was $130 million, $46 million higher than the fourth quarter 2018, driven by:

- Texas: $34 million increase due to higher realized power prices, partially offset by higher operating expenses; and
- East/West[1]: $12 million increase due to higher realized power prices and lower operating expenses, partially offset by lower capacity revenues and deactivation of the Encina generation facility.

[1] Includes International and Renewables

**Liquidity and Capital Resources**

**Table 3: Corporate Liquidity**

| ($ in millions) | 12/31/19 | 12/31/18 |
|---|---|---|
| Cash and Cash Equivalents | $ 345 | $ 563 |
| Restricted Cash | 8 | 17 |
| **Total** | **$ 353** | **$ 580** |
| Total credit facility availability | 1,794 | 1,397 |
| **Total Liquidity, excluding collateral received** | **$ 2,147** | **$ 1,977** |

As of December 31, 2019, NRG cash was $0.4 billion, and $1.8 billion was available under the Company's credit facilities. Total liquidity was $2.1 billion, including restricted cash. Overall liquidity as of the end of the fourth quarter 2019 was $170 million higher than at the end of 2018.

**NRG Strategic Developments**

**Transformation Plan**

NRG realized the targeted $590 million operating expense cost savings and $135 million margin enhancement, as part of the previously announced Transformation Plan. Working capital three year target of $370 million was also achieved.

**Renewable Power Purchase Agreements**

During 2019, NRG continued execution of its capital-light strategy to provide competitively priced renewable offerings to customers. NRG entered into power purchase agreements with third-party project developers and other counterparties, totaling approximately 1.6 GWs for the year, with an average tenor of approximately ten years. NRG expects to continue evaluating and executing agreements such as these that support the needs of its customers.

**Retail Growth**

In 2019, NRG continued efforts to perfect its integrated platform through the acquisition of Stream Energy's retail electricity and natural gas business operating in 9 states and Washington, D.C., as well as other small electricity retailers. NRG's brands now serve more than 1 million customers outside of the state of Texas.

**2020 Guidance**

NRG is reaffirming its guidance range for 2020 with respect to Adjusted EBITDA, Adjusted Cash From Operations and Free Cash Flow before Growth Investments (FCFbG) as set forth below.

**Table 4: 2020 Adjusted EBITDA, Adjusted Cash from Operations, and FCFbG Guidance**

| ($ in millions) | 2020 Guidance |
|---|---|
| Adjusted EBITDA [a] | $1,900-$2,100 |
| Adjusted Cash From Operations | $1,450-$1,650 |
| FCFbG | $1,275-$1,475 |

a. Non-GAAP financial measure; see Appendix Tables A-8 for GAAP Reconciliation to Net Income that excludes fair value adjustments related to derivatives. The Company is unable to provide guidance for Net Income due to the impact of such fair value adjustments related to derivatives in a

given year

**Capital Allocation Update**

Through February 27, 2020, NRG completed $1.6 billion in share repurchases at an average price of $38.72 per share[2].

On January 21, 2020, NRG declared a quarterly dividend on the Company's common stock of $0.30 per share, which was paid on February 18, 2020, to stockholders of record as of February 3, 2020, representing $1.20 on an annualized basis.

The Company's common stock dividend and share repurchases are subject to available capital, market conditions and compliance with associated laws and regulations.

[2] As of February 27, 2020, 247,656,747 shares outstanding

**Earnings Conference Call**

On February 27, 2020, NRG will host a conference call at 9:00 a.m. Eastern to discuss these results. Investors, the news media and others may access the live webcast of the conference call and accompanying presentation materials by logging on to NRG's website at http://www.nrg.com and clicking on "Investors" then "Presentations & Webcasts." The webcast will be archived on the site for those unable to listen in real time.

**About NRG**

At NRG, we're bringing the power of energy to people and organizations by putting customers at the center of everything we do. We generate electricity and provide energy solutions and natural gas to more than 3.7 million residential, small business, and commercial and industrial customers through our diverse portfolio of retail brands. A Fortune 500 company, operating in the United States and Canada, NRG delivers innovative solutions while advocating for competitive energy markets and customer choice, and by working towards a sustainable energy future. More information is available at www.nrg.com. Connect with NRG on Facebook, LinkedIn and follow us on Twitter @nrgenergy.

**Forward-Looking Statements**

In addition to historical information, the information presented in this presentation includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act. These statements involve estimates, expectations, projections, goals, assumptions, known and unknown risks and uncertainties and can typically be identified by terminology such as "may," "should," "could," "objective," "projection," "forecast," "goal," "guidance," "outlook," "expect," "intend," "seek," "plan," "think," "anticipate," "estimate," "predict," "target," "potential" or "continue" or the negative of these terms or other comparable terminology. Such forward-looking statements include, but are not limited to, statements about the Company's future revenues, income, indebtedness, capital structure, plans, expectations, objectives, projected financial performance and/or business results and other future events, and views of economic and market conditions.

Although NRG believes that its expectations are reasonable, it can give no assurance that these expectations will prove to be correct, and actual results may vary materially. Factors that could cause actual results to differ materially from those contemplated herein include, among others, general economic conditions, hazards customary in the power industry, weather conditions, competition in wholesale power markets, the volatility of energy and fuel prices, failure of customers to perform under contracts, changes in the wholesale power markets, changes in government regulations, the condition of capital markets generally, our ability to access capital markets, cyberterrorism and inadequate cybersecurity, unanticipated outages at our generation facilities, adverse results in current and future litigation, failure to identify, execute or successfully implement acquisitions, repowerings or asset sales, our ability to implement value enhancing improvements to plant operations and companywide processes, our ability to achieve margin enhancement under our publicly announced transformation plan, our ability to achieve our net debt targets, our ability to maintain investment grade credit metrics, our ability to proceed with projects under development or the inability to complete the construction of such projects on schedule or within budget, the inability to maintain or create successful partnering relationships, our ability to operate our business efficiently, our ability to retain retail customers, our ability to realize value through our commercial operations strategy, the ability to successfully integrate businesses of acquired companies, our ability to realize anticipated benefits of transactions (including expected cost savings and other synergies) or the risk that anticipated benefits may take longer to realize than expected, and our ability to execute our Capital Allocation Plan. Achieving investment grade credit metrics is not a indication of or guarantee that the Company will receive investment grade credit ratings. Debt and share repurchases may be made from time to time subject to market conditions and other factors, including as permitted by United States securities laws. Furthermore, any common stock dividend is subject to available capital and market conditions.

NRG undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. The adjusted EBITDA, free cash flow guidance and excess cash guidance are estimates as of February 27, 2020. These estimates are based on assumptions the company believed to be reasonable as of that date. NRG disclaims any current intention to update such guidance, except as required by law. The foregoing review of factors that could cause NRG's actual results to differ materially from those contemplated in the forward-looking statements included in this presentation should be considered in connection with information regarding risks and uncertainties that may affect NRG's future results included in NRG's filings with the Securities and Exchange Commission at www.sec.gov.

**NRG ENERGY, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF OPERATIONS**

| | For the Year Ended December 31, | | |
|---|---|---|---|
| **(In millions, except per share amounts)** | **2019** | **2018** | **2017** |
| **Operating Revenues** | | | |
| Total operating revenues | $ 9,821 | $ 9,478 | $ 9,074 |
| **Operating Costs and Expenses** | | | |
| Cost of operations | 7,303 | 7,108 | 6,886 |
| Depreciation and amortization | 373 | 421 | 596 |
| Impairment losses | 5 | 99 | 1,534 |
| Selling, general and administrative | 827 | 799 | 836 |

| | | | |
|---|---|---|---|
| Reorganization costs | 23 | 90 | 44 |
| Development costs | 7 | 11 | 22 |
| Total operating costs and expenses | 8,538 | 8,528 | 9,918 |
| Other income - affiliate | — | — | 87 |
| Gain on sale of assets | 7 | 32 | 16 |
| **Operating Income/(Loss)** | 1,290 | 982 | (741) |
| **Other Income/(Expense)** | | | |
| Equity in earnings/(losses) of unconsolidated affiliates | 2 | 9 | (14) |
| Impairment losses on investments | (108) | (15) | (79) |
| Other income, net | 66 | 18 | 51 |
| Loss on debt extinguishment, net | (51) | (44) | (49) |
| Interest expense | (413) | (483) | (557) |
| Total other expense | (504) | (515) | (648) |
| **Income/(Loss) from Continuing Operations Before Income Taxes** | 786 | 467 | (1,389) |
| Income tax (benefit)/expense | (3,334) | 7 | (44) |
| **Income/(Loss) from Continuing Operations** | 4,120 | 460 | (1,345) |
| Income/(loss) from discontinued operations, net of income tax | 321 | (192) | (992) |
| **Net Income/(Loss)** | 4,441 | 268 | (2,337) |
| Less: Net income/(loss) attributable to noncontrolling interest and redeemable interests | 3 | — | (184) |
| **Net Income/(Loss) Attributable to NRG Energy, Inc.** | $ 4,438 | $ 268 | $ (2,153) |
| **Earnings/(Loss) Per Share Attributable to NRG Energy, Inc. Common Stockholders** | | | |
| Weighted average number of common shares outstanding — basic | 262 | 304 | 317 |
| Income/(loss) from continuing operations per weighted average common share — basic | $ 15.71 | $ 1.51 | $ (3.66) |
| Income/(loss) from discontinued operations per weighted average common share — basic | $ 1.23 | $ (0.63) | $ (3.13) |
| **Net Income/(Loss) per Weighted Average Common Share — Basic** | $ 16.94 | $ 0.88 | $ (6.79) |
| Weighted average number of common shares outstanding — diluted | 264 | 308 | 317 |
| Income/(loss) from continuing operations per weighted average common share — diluted | $ 15.59 | $ 1.49 | $ (3.66) |
| Income/(loss) from discontinued operations per weighted average common share — diluted | $ 1.22 | $ (0.62) | $ (3.13) |
| **Net Income/(Loss) per Weighted Average Common Share — Diluted** | $ 16.81 | $ 0.87 | $ (6.79) |

**NRG ENERGY, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)**

| | For the Year Ended December 31, | | |
|---|---|---|---|
| **(In millions)** | **2019** | **2018** | **2017** |
| **Net Income/(Loss)** | $ 4,441 | $ 268 | $ (2,337) |
| **Other Comprehensive (Loss)/Income, net of tax** | | | |
| Unrealized gain on derivatives, net of income tax | — | 23 | 13 |
| Foreign currency translation adjustments, net of income tax | (1) | (11) | 12 ` |
| Available-for-sale securities, net of income tax | (19) | 1 | (8) |
| Defined benefit plans, net of income tax | (78) | (35) | 46 |
| Other comprehensive (loss)/income | (98) | (22) | 63 |
| **Comprehensive Income/(Loss)** | 4,343 | 246 | (2,274) |
| Less: Comprehensive income/(loss) attributable to noncontrolling interests and redeemable noncontrolling interests | 3 | 14 | (179) |
| **Comprehensive Income/(Loss) Attributable to NRG Energy, Inc.** | $ 4,340 | $ 232 | $ (2,095) |

**NRG ENERGY, INC. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**

| | As of December 31, | |
|---|---|---|
| **(In millions)** | **2019** | **2018** |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 345 | $ 563 |
| Funds deposited by counterparties | 32 | 33 |
| Restricted cash | 8 | 17 |
| Accounts receivable, net | 1,025 | 1,024 |
| Inventory | 383 | 412 |
| Derivative instruments | 860 | 764 |
| Cash collateral posted in support of energy risk management activities | 190 | 287 |

| | | |
|---|---|---|
| Prepayments and other current assets | 245 | 302 |
| Current assets - held-for-sale | — | 1 |
| Current assets - discontinued operations | — | 197 |
| Total current assets | 3,088 | 3,600 |
| **Property, plant and equipment, net** | 2,593 | 3,048 |
| **Other Assets** | | |
| Equity investments in affiliates | 388 | 412 |
| Operating lease right-of-use assets, net | 464 | — |
| Goodwill | 579 | 573 |
| Intangible assets, net | 789 | 591 |
| Nuclear decommissioning trust fund | 794 | 663 |
| Derivative instruments | 310 | 317 |
| Deferred income taxes | 3,286 | 46 |
| Other non-current assets | 240 | 289 |
| Non-current assets - held-for-sale | — | 77 |
| Non-current assets - discontinued operations | — | 1,012 |
| Total other assets | 6,850 | 3,980 |
| **Total Assets** | $ 12,531 | $ 10,628 |

**NRG ENERGY, INC. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS (Continued)**

| **(In millions, except share data)** | **As of December 31, 2019** | **2018** |
|---|---|---|
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **Current Liabilities** | | |
| Current portion of long-term debt and finance leases | $ 88 | $ 72 |
| Current portion of operating lease liabilities | 73 | — |
| Accounts payable | 722 | 863 |
| Derivative instruments | 781 | 673 |
| Cash collateral received in support of energy risk management activities | 32 | 33 |
| Accrued expenses and other current liabilities | 663 | 680 |
| Current liabilities - held for sale | — | 5 |
| Current liabilities - discontinued operations | — | 72 |
| Total current liabilities | 2,359 | 2,398 |
| **Other Liabilities** | | |
| Long-term debt and finance leases | $ 5,803 | $ 6,449 |
| Non-current operating lease liabilities | 483 | — |
| Nuclear decommissioning reserve | 298 | 282 |
| Nuclear decommissioning trust liability | 487 | 371 |
| Derivative instruments | 322 | 304 |
| Deferred income taxes | 17 | 65 |
| Other non-current liabilities | 1,084 | 1,274 |
| Non-current liabilities - held-for-sale | — | 65 |
| Non-current liabilities - discontinued operations | — | 635 |
| Total other liabilities | 8,494 | 9,445 |
| **Total Liabilities** | 10,853 | 11,843 |
| Redeemable noncontrolling interest in subsidiaries | 20 | 19 |
| **Commitments and Contingencies** | | |
| **Stockholders' Equity** | | |
| Common stock; $0.01 par value; 500,000,000 shares authorized; 421,890,790 and 420,288,886 shares issued; and 248,996,189 and 283,650,039 shares outstanding at December 31, 2019 and 2018 | 4 | 4 |
| Additional paid-in capital | 8,501 | 8,510 |
| Accumulated deficit | (1,616) | (6,022) |
| Treasury stock, at cost; 172,894,601 and 136,638,847 shares at December 31, 2019 and 2018 | (5,039) | (3,632) |
| Accumulated other comprehensive loss | (192) | (94) |
| **Total Stockholders' Equity** | 1,658 | (1,234) |
| **Total Liabilities and Stockholders' Equity** | $ 12,531 | $ 10,628 |

**NRG ENERGY, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| (In millions) | For the Year Ended December 31, 2019 | 2018 | 2017 |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Net income/(loss) | $ 4,441 | $ 268 | $ (2,337) |
| Income/(loss) from discontinued operations, net of income tax | 321 | (192) | (992) |
| Income/(loss) from continuing operations | 4,120 | 460 | (1,345) |
| Adjustments to reconcile net income/(loss) to net cash provided by operating activities: | | | |
| Distributions and equity in earnings of unconsolidated affiliates | 14 | 46 | 102 |
| Depreciation and amortization | 373 | 421 | 596 |
| Accretion of asset retirement obligations | 51 | 38 | 44 |
| Provision for bad debts | 95 | 85 | 68 |
| Amortization of nuclear fuel | 52 | 48 | 51 |
| Amortization of financing costs and debt discount/premiums | 26 | 29 | 29 |
| Loss on debt extinguishment, net | 51 | 44 | 49 |
| Amortization of emission allowances and out-of-market contracts | 38 | 45 | 54 |
| Amortization of unearned equity compensation | 20 | 25 | 35 |
| Net gain on sale of assets and disposal of assets | (23) | (49) | (9) |
| Impairment losses | 113 | 114 | 1,614 |
| Changes in derivative instruments | 34 | 37 | (170) |
| Changes in deferred income taxes and liability for uncertain tax benefits | (3,353) | 5 | 13 |
| Changes in collateral deposits in support of risk management activities | 105 | (105) | (80) |
| Changes in nuclear decommissioning trust liability | 37 | 60 | 11 |
| GenOn settlement, net of insurance proceeds | — | (63) | — |
| Net loss on deconsolidation of Agua Caliente and Ivanpah projects | — | 13 | — |
| Cash provided/(used) by changes in other working capital, net of acquisition and disposition effects: | | | |
| Accounts receivable - trade | 5 | (83) | (83) |
| Inventory | 22 | 31 | 143 |
| Prepayments and other current assets | 29 | (41) | (187) |
| Accounts payable | (177) | 113 | 44 |
| Accrued expenses and other current liabilities | (41) | (166) | (88) |
| Other assets and liabilities | (186) | (104) | (35) |
| **Cash provided by continuing operations** | 1,405 | 1,003 | 856 |
| **Cash provided by discontinued operations** | 8 | 374 | 754 |
| **Net Cash Provided by Operating Activities** | 1,413 | 1,377 | 1,610 |
| **Cash Flows from Investing Activities** | | | |
| Payments for acquisitions of businesses | (355) | (243) | (14) |
| Capital expenditures | (228) | (388) | (254) |
| Net proceeds from sale of emission allowances | 11 | 19 | 66 |
| Investments in nuclear decommissioning trust fund securities | (416) | (572) | (512) |
| Proceeds from sales of nuclear decommissioning trust fund securities | 381 | 513 | 501 |
| Proceeds from sale of assets, net of cash disposed and sale of discontinued operations, net of fees | 1,294 | 1,564 | 430 |
| Deconsolidations of Agua Caliente and Ivanpah projects | — | (268) | — |
| Net contributions to investments in unconsolidated affiliates | (91) | (39) | (57) |
| Net (contributions to)/distributions from discontinued operations | (44) | (60) | 150 |
| Other | 6 | (6) | 30 |
| **Cash provided by continuing operations** | 558 | 520 | 340 |
| **Cash used by discontinued operations** | (2) | (725) | (979) |
| **Net Cash Provided/(Used) by Investing Activities** | 556 | (205) | (639) |

| (In millions) | For the Year Ended December 31, 2019 | 2018 | 2017 |
|---|---|---|---|
| **Cash Flows from Financing Activities** | | | |
| Payments of dividends to common stockholders | (32) | (37) | (38) |
| Payments for share repurchase activity | (1,440) | (1,250) | — |
| Payments for debt extinguishment costs | (26) | (32) | (42) |
| Net distributions to noncontrolling interest from subsidiaries | (2) | (16) | (30) |
| Proceeds/(payments) from issuance of common stock | 3 | 21 | (2) |
| Proceeds from issuance of short and long-term debt | 1,916 | 1,100 | 1,178 |

| | | | |
|---|---|---|---|
| Payments of debt issuance costs | (35) | (19) | (18) |
| Payments for short and long-term debt | (2,571) | (1,734) | (1,884) |
| Receivable from affiliate | — | (26) | (125) |
| Other | (4) | (4) | (8) |
| **Cash used by continuing operations** | (2,191) | (1,997) | (969) |
| **Cash provided/(used) by discontinued operations** | 43 | 471 | (169) |
| **Net Cash Used by Financing Activities.** | (2,148) | (1,526) | (1,138) |
| Effect of exchange rate changes on cash and cash equivalents | — | 1 | (1) |
| **Change in Cash from discontinued operations** | 49 | 120 | (394) |
| **Net (Decrease)/Increase in Cash and Cash Equivalents, Funds Deposited by Counterparties and Restricted Cash** | (228) | (473) | 226 |
| **Cash and Cash Equivalents, Funds Deposited by Counterparties and Restricted Cash at Beginning of Period** | 613 | 1,086 | 860 |
| **Cash and Cash Equivalents, Funds Deposited by Counterparties and Restricted Cash at End of Period** | $ 385 | $ 613 | $ 1,086 |

**Appendix Table A-1: Fourth Quarter 2019 Adjusted EBITDA Reconciliation by Operating Segment**

The following table summarizes the calculation of Adj. EBITDA and provides a reconciliation to income/(loss) from continuing operations:

| ($ in millions) | Texas | East/ West [1] | Generation | Retail | Corp/Elim | Total |
|---|---|---|---|---|---|---|
| **Income/(Loss) from Continuing Operations** | **(19)** | **4** | **(15)** | **233** | **3,245** | **3,463** |
| Plus: | | | | | | |
| Interest expense, net | — | 4 | 4 | — | 88 | 92 |
| Income tax | — | 1 | 1 | 1 | (3,344) | (3,342) |
| Loss on debt extinguishment | — | 3 | 3 | — | — | 3 |
| Depreciation and amortization | 22 | 24 | 46 | 57 | 8 | 111 |
| ARO expense | 17 | 4 | 21 | — | — | 21 |
| Contract amortization | 3 | — | 3 | — | — | 3 |
| **EBITDA** | **23** | **40** | **63** | **291** | **(3)** | **351** |
| Adjustment to reflect NRG share of adjusted EBITDA in unconsolidated affiliates | — | 25 | 25 | — | — | 25 |
| Acquisition-related transaction & integration costs | — | — | — | — | 1 | 1 |
| Reorganization costs | — | — | — | 1 | 6 | 7 |
| Deactivation costs | (1) | 8 | 7 | — | 3 | 10 |
| Gain on sale of assets | — | — | — | — | (5) | (5) |
| Other non recurring charges | — | (1) | (1) | (1) | (5) | (7) |
| Impairments | — | 4 | 4 | — | — | 4 |
| Mark to market (MtM) (gains)/losses on economic hedges | 29 | 3 | 32 | (33) | (1) | (2) |
| **Adjusted EBITDA** | **51** | **79** | **130** | **258** | **(4)** | **384** |

[1] Includes International, remaining renewables and Generation eliminations

Fourth Quarter 2019 condensed financial information by Operating Segment:

| ($ in millions) | Texas | East/ West [1] | Generation | Retail | Corp/Elim | Total |
|---|---|---|---|---|---|---|
| Operating revenues | 372 | 350 | 722 | 1,782 | (290) | 2,214 |
| Cost of sales | 168 | 150 | 318 | 1,287 | (288) | 1,317 |
| **Economic gross margin[2]** | **204** | **200** | **404** | **495** | **(2)** | **897** |
| Operations & maintenance and other cost of operations[3] | 123 | 105 | 228 | 100 | (1) | 327 |
| Selling, marketing, general & administrative[4] | 33 | 34 | 67 | 137 | 6 | 210 |
| Other expense/(income)[5] | (3) | (18) | (21) | 0 | (3) | (24) |
| **Adjusted EBITDA** | **51** | **79** | **130** | **258** | **(4)** | **384** |

[1] Includes International, remaining renewables and Generation eliminations

[2] Excludes MtM gains of $2 million and contract amortization of $3 million

[3] Excludes $31 million of deactivation costs, ARO expense and other non recurring charges

[4] Excludes $3 million of other non recurring charges

[5] Includes development costs. Excludes $3,114 million of interest expense, income tax, depreciation and amortization, gain on sale of assets, acquisition-related transaction & integration costs, reorganization costs, other non recurring charges, impairments and loss on debt extinguishment

The following table reconciles the condensed financial information to Adjusted EBITDA:

| ($ in millions) | Condensed financial information | Interest, tax, depr., amort. | MtM | Deactivation | Other adj. | Adjusted EBITDA |
|---|---|---|---|---|---|---|
| Operating revenues | 2,195 | — | 19 | — | — | 2,214 |
| Cost of operations | 1,299 | (3) | 21 | — | — | 1,317 |
| **Gross margin** | **896** | **3** | **(2)** | — | — | **897** |
| Operations & maintenance and other cost of operations[1] | 358 | — | — | (10) | (21) | 327 |
| Selling, marketing, general & administrative[2] | 213 | — | — | — | (3) | 210 |
| Other expense/(income)[3] | (3,138) | 3,118 | — | — | (4) | (24) |
| **Income/(Loss) from Continuing Operations** | **3,463** | **(3,115)** | **(2)** | **10** | **28** | **384** |

[1] Other adj. includes ARO expense

[2] Other adj. includes other non recurring charges

[3] Other adj. includes gain on sale of assets, acquisition-related transaction & integration costs, reorganization costs, other non recurring charges, impairments and loss on debt extinguishment

**Appendix Table A-2: Fourth Quarter 2018 Adjusted EBITDA Reconciliation by Operating Segment**

The following table summarizes the calculation of Adjusted EBITDA and provides a reconciliation to income/(loss) from continuing operations:

| ($ in millions) | Texas | East/ West [1] | Generation | Retail | Corp/Elim | Total |
|---|---|---|---|---|---|---|
| **Income/(Loss) from Continuing Operations** | **(174)** | **(82)** | **(256)** | **331** | **(167)** | **(92)** |
| Plus: | | | | | | |
| Interest expense, net | — | 9 | 9 | 1 | 107 | 117 |
| Income tax | — | — | — | — | (12) | (12) |
| Loss on debt extinguishment | — | — | — | — | 21 | 21 |
| Depreciation and amortization | 21 | 31 | 52 | 30 | 9 | 91 |
| ARO Expense | 1 | 3 | 4 | — | — | 4 |
| Contract amortization | 7 | — | 7 | — | — | 7 |
| Lease amortization | — | (2) | (2) | — | — | (2) |
| **EBITDA** | **(145)** | **(41)** | **(186)** | **362** | **(42)** | **134** |
| Adjustment to reflect NRG share of adjusted EBITDA in unconsolidated affiliates | 4 | 26 | 30 | — | — | 30 |
| Acquisition-related transaction & integration costs | — | — | — | 1 | 1 | 2 |
| Reorganization costs[2] | 1 | — | 1 | 5 | 31 | 37 |
| Legal Settlement | — | 10 | 10 | — | — | 10 |
| Deactivation costs | — | — | — | — | 4 | 4 |
| Gain on sale of assets | — | — | — | — | (1) | (1) |
| Other non recurring charges | (1) | — | (1) | 1 | (1) | (1) |
| Impairments | 5 | 4 | 9 | 1 | — | 10 |
| Mark to market (MtM) (gains)/losses on economic hedges | 153 | 68 | 221 | (173) | — | 48 |
| **Adjusted EBITDA** | **17** | **67** | **84** | **197** | **(8)** | **273** |

[1] Includes International, remaining renewables and Generation eliminations

[2] Includes $17 million of non-recurring pension expense

Fourth Quarter 2018 condensed financial information by Operating Segment:

| ($ in millions) | Texas | East/ West [1] | Generation | Retail | Corp/Elim | Total |
|---|---|---|---|---|---|---|
| Operating revenues | 345 | 377 | 722 | 1,608 | (239) | 2,091 |
| Cost of sales[2] | 198 | 178 | 376 | 1,178 | (239) | 1,315 |
| **Economic gross margin[3]** | **147** | **199** | **346** | **430** | — | **776** |
| Operations & maintenance and other cost of operations[4] | 114 | 123 | 237 | 81 | (1) | 317 |
| Selling, marketing, general & administrative[5] | 20 | 20 | 40 | 153 | 8 | 201 |
| Other expense/(income)[6] | (4) | (11) | (15) | (1) | 1 | (15) |
| **Adjusted EBITDA** | **17** | **67** | **84** | **197** | **(8)** | **273** |

[1] Includes International, remaining renewables and Generation eliminations

[2] Excludes deactivation costs of $4 million

[3] Excludes MtM gains of $48 million and contract amortization of $7 million

[4] Excludes $2 million of ARO expense and lease amortization

[5] Excludes $11 million of legal settlements and other non recurring charges

[6] Includes development costs. Excludes $293 million of interest expense, income tax, depreciation and amortization, gain on sale of assets, acquisition-related transaction & integration costs, reorganization costs, other non recurring charges, impairments and loss on debt extinguishment

The following table reconciles the condensed financial information to Adjusted EBITDA:

| ($ in millions) | Condensed financial information | Interest, tax, depr., amort. | MtM | Deactivation | Other adj. | Adjusted EBITDA |
|---|---|---|---|---|---|---|
| Operating revenues | 1,992 | — | 99 | — | — | 2,091 |
| Cost of operations | 1,275 | (7) | 51 | (4) | — | 1,315 |
| **Gross margin** | **717** | **7** | **48** | **4** | **—** | **776** |
| Operations & maintenance and other cost of operations[1] | 319 | — | — | — | (2) | 317 |
| Selling, marketing, general & administrative[2] | 212 | — | — | — | (11) | 201 |
| Other expense/(income)[3] | 278 | (198) | — | — | (95) | (15) |
| **Income/(Loss) from Continuing Operations** | **(92)** | **205** | **48** | **4** | **108** | **273** |

[1] Other adj. includes ARO expense and lease amortization

[2] Other adj. includes legal settlement and other non recurring charges

[3] Other adj. includes gain on sale of assets, acquisition-related transaction & integration costs, reorganization costs, other non recurring charges, impairments and loss on debt extinguishment

**Appendix Table A-3: Full Year 2019 Adjusted EBITDA Reconciliation by Operating Segment**

The following table summarizes the calculation of Adj. EBITDA and provides a reconciliation to income/(loss) from continuing operations:

| ($ in millions) | Texas | East/ West [1] | Generation | Retail | Corp/Elim | Total |
|---|---|---|---|---|---|---|
| **Income/(Loss) from Continuing Operations** | **570** | **210** | **780** | **487** | **2,853** | **4,120** |
| Plus: | | | | | | |
| Interest expense, net | — | 23 | 23 | 3 | 368 | 394 |
| Income tax | — | 2 | 2 | 2 | (3,338) | (3,334) |
| Loss on debt extinguishment | — | 3 | 3 | — | 48 | 51 |
| Depreciation and amortization | 88 | 97 | 185 | 157 | 31 | 373 |
| ARO expense | 27 | 24 | 51 | 1 | (1) | 51 |
| Contract amortization | 19 | — | 19 | — | — | 19 |
| **EBITDA** | **704** | **359** | **1,063** | **650** | **(39)** | **1,674** |
| Adjustment to reflect NRG share of adjusted EBITDA in unconsolidated affiliates | 12 | 103 | 115 | — | — | 115 |
| Acquisition-related transaction & integration costs | — | — | — | 2 | 1 | 3 |
| Reorganization costs | — | 1 | 1 | 5 | 17 | 23 |
| Legal Settlement | 3 | 8 | 11 | — | 2 | 13 |
| Deactivation costs | (1) | 19 | 18 | — | 9 | 27 |
| Gain on sale of assets | — | — | — | — | (6) | (6) |
| Other non recurring charges | (1) | 4 | 3 | (5) | (3) | (5) |
| Impairments | 101 | 4 | 105 | 1 | 7 | 113 |
| Mark to market (MtM) (gains)/losses on economic hedges | (208) | (39) | (247) | 267 | — | 20 |
| **Adjusted EBITDA** | **610** | **459** | **1,069** | **920** | **(12)** | **1,977** |

[1] Includes International, remaining renewables and Generation eliminations

Full Year 2019 condensed financial information by Operating Segment:

| ($ in millions) | Texas | East/ West [1] | Generation | Retail | Corp/Elim | Total |
|---|---|---|---|---|---|---|
| Operating revenues | 2,077 | 1,536 | 3,613 | 7,680 | (1,505) | 9,788 |
| Cost of sales | 891 | 667 | 1,558 | 5,821 | (1,501) | 5,878 |
| **Economic gross margin[2]** | **1,186** | **869** | **2,055** | **1,859** | **(4)** | **3,910** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Operations & maintenance and other cost of operations[3] | 488 | 421 | 909 | 364 | (3) | 1,270 |
| Selling, marketing, general & administrative[4] | 110 | 110 | 220 | 574 | 21 | 815 |
| Other expense/(income)[5] | (22) | (121) | (143) | 1 | (10) | (152) |
| **Adjusted EBITDA** | **610** | **459** | **1,069** | **920** | **(12)** | **1,977** |

[1] Includes International, remaining renewables and Generation eliminations

[2] Excludes MtM loss of $20 million and contract amortization of $19 million

[3] Excludes $83 million of deactivation costs, ARO expense and other non recurring charges

[4] Excludes $12 million of legal settlement and other non recurring charges

[5] Includes development costs. Excludes $2,277 million of interest expense, income tax, depreciation and amortization, gain on sale of assets, acquisition-related transaction & integration costs, reorganization costs, other non recurring charges, impairments and loss on debt extinguishment

The following table reconciles the condensed financial information to Adjusted EBITDA:

| ($ in millions) | Condensed financial information | Interest, tax, depr., amort. | MtM | Deactivation | Other adj. | Adjusted EBITDA |
|---|---|---|---|---|---|---|
| Operating revenues | 9,821 | — | (33) | — | — | 9,788 |
| Cost of operations | 5,950 | (19) | (53) | — | — | 5,878 |
| **Gross margin** | **3,871** | **19** | **20** | — | — | **3,910** |
| Operations & maintenance and other cost of operations[1] | 1,353 | — | — | (27) | (56) | 1,270 |
| Selling, marketing, general & administrative[2] | 827 | — | — | — | (12) | 815 |
| Other expense/(income)[3] | (2,429) | 2,516 | — | — | (239) | (152) |
| **Income/(Loss) from Continuing Operations** | **4,120** | **(2,497)** | **20** | **27** | **307** | **1,977** |

[1] Other adj. includes ARO expense and other non recurring charges

[2] Other adj. includes legal settlement and other non recurring charges

[3] Other adj. includes gain on sale of assets, acquisition-related transaction & integration costs, reorganization costs, other non recurring charges, impairments and loss on debt extinguishment

**Appendix Table A-4: Full Year 2018 Adjusted EBITDA Reconciliation by Operating Segment**

The following table summarizes the calculation of Adjusted EBITDA and provides a reconciliation to income/(loss) from continuing operations:

| ($ in millions) | Texas | East/ West [1] | Generation | Retail | Corp/Elim | Total |
|---|---|---|---|---|---|---|
| **Income/(Loss) from Continuing Operations** | **(102)** | **104** | **2** | **1,062** | **(604)** | **460** |
| Plus: | | | | | | |
| Interest expense, net | — | 55 | 55 | 3 | 408 | 466 |
| Income tax | — | — | — | 1 | 6 | 7 |
| Loss on debt extinguishment | — | — | — | — | 44 | 44 |
| Depreciation and amortization | 85 | 187 | 272 | 116 | 33 | 421 |
| ARO Expense | 21 | 15 | 36 | 1 | — | 37 |
| Contract amortization | 26 | 1 | 27 | — | — | 27 |
| Lease amortization | — | (8) | (8) | — | — | (8) |
| **EBITDA** | **30** | **354** | **384** | **1,183** | **(113)** | **1,454** |
| Adjustment to reflect NRG share of adjusted EBITDA in unconsolidated affiliates | 9 | 73 | 82 | — | 1 | 83 |
| Acquisition-related transaction & integration costs | — | — | — | 5 | 4 | 9 |
| Reorganization costs[2] | 3 | 8 | 11 | 15 | 81 | 107 |
| Legal Settlement | 13 | 10 | 23 | — | 6 | 29 |
| Deactivation costs | — | 10 | 10 | — | 12 | 22 |
| Gain on sale of assets | — | 2 | 2 | — | (30) | (28) |
| Other non recurring charges | (1) | 1 | — | 1 | — | 1 |
| Impairments | 20 | 93 | 113 | 1 | — | 114 |
| Mark to market (MtM) (gains)/losses on economic hedges | 172 | 67 | 239 | (253) | — | (14) |
| **Adjusted EBITDA** | **246** | **618** | **864** | **952** | **(39)** | **1,777** |

[1] Includes International, remaining renewables and Generation eliminations

[2] Includes $17 million of non-recurring pension expense

Full Year 2018 condensed financial information by Operating Segment:

| ($ in millions) | Texas | East/ West [1] | Generation | Retail | Corp/Elim | Total |
|---|---|---|---|---|---|---|
| Operating revenues | 1,670 | 1,975 | 3,645 | 7,110 | (1,147) | 9,608 |
| Cost of sales[2] | 867 | 832 | 1,699 | 5,308 | (1,140) | 5,867 |
| **Economic gross margin[3]** | **803** | **1,143** | **1,946** | **1,802** | **(7)** | **3,741** |
| Operations & maintenance and other cost of operations[4] | 479 | 497 | 976 | 314 | (1) | 1,289 |
| Selling, marketing, general & administrative[5] | 95 | 110 | 205 | 535 | 37 | 777 |
| Other expense/(income)[6] | (17) | (82) | (99) | 1 | (4) | (102) |
| **Adjusted EBITDA** | **246** | **618** | **864** | **952** | **(39)** | **1,777** |

[1] Includes International, remaining renewables and Generation eliminations

[2] Excludes deactivation costs of $11 million

[3] Excludes MtM gain of $14 million and contract amortization of $27 million

[4] Excludes $58 million of deactivation costs, ARO expense and other non recurring charges

[5] Excludes $22 million of legal settlements, acquisition-related transaction & integration costs and other non recurring charges

[6] Includes development costs. Excludes $1,213 million of interest expense, income tax, depreciation and amortization, gain on sale of assets, acquisition-related transaction & integration costs, reorganization costs, other non recurring charges, impairments and loss on debt extinguishment

The following table reconciles the condensed financial information to Adjusted EBITDA:

| ($ in millions) | Condensed financial information | Interest, tax, depr., amort. | MtM | Deactivation | Other adj. | Adjusted EBITDA |
|---|---|---|---|---|---|---|
| Operating revenues | 9,478 | | 130 | — | — | 9,608 |
| Cost of operations | 5,761 | (27) | 144 | (11) | — | 5,867 |
| **Gross margin** | **3,717** | **27** | **(14)** | 11 | — | **3,741** |
| Operations & maintenance and other cost of operations[1] | 1,347 | — | — | (11) | (47) | 1,289 |
| Selling, marketing, general & administrative[2] | 799 | — | — | — | (22) | 777 |
| Other expense/(income)[3] | 1,111 | (923) | — | — | (290) | (102) |
| **Income/(Loss) from Continuing Operations** | **460** | **950** | **(14)** | **22** | **359** | **1,777** |

[1] Other adj. includes ARO expense and lease amortization

[2] Other adj. includes legal settlement, acquisition-related transaction & integration costs and other non recurring charges

[3] Other adj. includes gain on sale of assets, acquisition-related transaction & integration costs, reorganization costs, other non recurring charges, impairments and loss on debt extinguishment

**Appendix Table A-5: 2019 and 2018 Three Months Ended December 31 and Full Year Adjusted Cash Flow from Operations Reconciliations**

The following table summarizes the calculation of adjusted cash flow operating activities providing a reconciliation to net cash provided by operating activities:

| | Three Months Ended | |
|---|---|---|
| ($ in millions) | December 31, 2019 | December 31, 2018 |
| **Net Cash Provided by Operating Activities** | **552** | **332** |
| Merger, integration and cost-to-achieve expenses[1] | 20 | 26 |
| GenOn Settlement[2] | — | (57) |
| Note Repayment | 5 | — |
| Gain on Sale of Land | 2 | 1 |
| Encina Site Improvement | 1 | — |
| Adjustment for change in collateral | 23 | 72 |
| **Adjusted Cash Flow from Operating Activities** | **603** | **374** |
| Maintenance CapEx, net | (27) | (23) |
| Environmental CapEx, net | (1) | — |
| Distributions to non-controlling interests | — | — |
| **Free Cash Flow before Growth** | **575** | **351** |

[1] 2019 and 2018 includes cost-to-achieve expenses associated with the Transformation Plan announced on July 2017 call

[2] 2018 includes insurance proceeds and legal fees

| ($ in millions) | Twelve Months Ended December 31, 2019 | December 31, 2018 |
|---|---|---|
| **Net Cash Provided by Operating Activities** | **1,405** | **1,003** |
| Merger, integration and cost-to-achieve expenses[1] | 39 | 97 |
| GenOn Settlement[2] | 18 | 75 |
| Note Repayment | 5 | — |
| Gain on Sale of Land | 2 | 4 |
| Encina Site Improvement | 1 | — |
| Adjustment for change in collateral | (97) | 117 |
| **Adjusted Cash Flow from Operating Activities** | **1,373** | **1,296** |
| Maintenance CapEx, net | (156) | (159) |
| Environmental CapEx, net | (3) | (1) |
| Distributions to non-controlling interests | (2) | (16) |
| **Free Cash Flow before Growth** | **1,212** | **1,120** |

[1] 2019 and 2018 includes cost-to-achieve expenses associated with the Transformation Plan announced on July 2017 call

[2] 2019 includes final restructuring fee of $5 million and pension contribution of $13 million; 2018 includes settlement consideration of $261 million, transition services credit of $28 million, and pension contribution of $13 million, less $151 million repayment of intercompany revolver loan, accrued interest and fees of $12 million, certain other balances due to NRG of $6 million, and insurance proceeds, net of legal fees, of $58 million

**Appendix Table A-6: Full Year 2019 Sources and Uses of Liquidity**

The following table summarizes the sources and uses of liquidity for the full year 2019:

| ($ in millions) | Twelve Months Ended December 31, 2019 |
|---|---|
| **Sources:** | |
| Adjusted cash flow from operations | 1,373 |
| Asset Sales | 1,283 |
| Collateral | 97 |
| Increase in credit facility/revolver | 397 |
| **Uses:** | |
| Share repurchases | (1,440) |
| Corporate Debt payments and Financing fees | (655) |
| Midwest Gen Debt amortization | (48) |
| Growth investments and acquisitions, net | (551) |
| Maintenance and Environmental CapEx, net | (159) |
| GenOn Settlement | (18) |
| Cost-to-achieve expenses[1] | (84) |
| Common Stock Dividends | (32) |
| Distributions to non-controlling interests | (2) |
| Other Investing and Financing | 9 |
| **Change in Total Liquidity** | **170** |

[1] Includes capital expenditures associated with the Transformation Plan

**Appendix Table A-7: 2020 Adjusted EBITDA Guidance Reconciliation**

The following table summarizes the calculation of Adjusted EBITDA providing reconciliation to net income:

| ($ in millions) | 2020 Adjusted EBITDA Low | High |
|---|---|---|
| **Income from Continuing Operations [1]** | 980 | 1,180 |
| Income Tax | 20 | 20 |
| Interest Expense | 335 | 335 |
| Depreciation, Amortization, Contract Amortization and ARO Expense | 480 | 480 |
| Adjustment to reflect NRG share of adjusted EBITDA in unconsolidated affiliates | 65 | 65 |
| Other Costs [2] | 20 | 20 |
| **Adjusted EBITDA** | **1,900** | **2,100** |

[1] For purposes of guidance, discontinued operations are excluded and fair value adjustments related to derivatives are assumed to be zero

[2] Includes deactivation costs and cost-to-achieve expenses

**Appendix Table A-8: 2020 FCFbG Guidance Reconciliation**

The following table summarizes the calculation of Free Cash Flow before Growth providing reconciliation to Cash from Operations:

| | 2020 |
|---|---|
| ($ in millions) | **Guidance** |
| Adjusted EBITDA | $1,900 - $2,100 |
| Interest payments | (335) |
| Income tax | (20) |
| Working capital / other assets and liabilities | (105) |
| Cash From Operations | $1,440 - $1,640 |
| Adjustments: Acquired Derivatives, Cost-to-Achieve, Return of Capital Dividends, Collateral, GenOn Pension and Other | 10 |
| Adjusted Cash flow from Operations | $1,450 - $1,650 |
| Maintenance capital expenditures, net | (165) - (185) |
| Environmental capital expenditures, net | (0) - (5) |
| Free Cash Flow before Growth | $1,275 - $1,475 |

EBITDA and Adjusted EBITDA are non-GAAP financial measures. These measurements are not recognized in accordance with GAAP and should not be viewed as an alternative to GAAP measures of performance. The presentation of Adjusted EBITDA should not be construed as an inference that NRG's future results will be unaffected by unusual or non-recurring items.

EBITDA represents net income before interest (including loss on debt extinguishment), taxes, depreciation and amortization. EBITDA is presented because NRG considers it an important supplemental measure of its performance and believes debt-holders frequently use EBITDA to analyze operating performance and debt service capacity. EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our operating results as reported under GAAP. Some of these limitations are:

- EBITDA does not reflect cash expenditures, or future requirements for capital expenditures, or contractual commitments;
- EBITDA does not reflect changes in, or cash requirements for, working capital needs;
- EBITDA does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on debt or cash income tax payments;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and
- Other companies in this industry may calculate EBITDA differently than NRG does, limiting its usefulness as a comparative measure.

Because of these limitations, EBITDA should not be considered as a measure of discretionary cash available to use to invest in the growth of NRG's business. NRG compensates for these limitations by relying primarily on our GAAP results and using EBITDA and Adjusted EBITDA only supplementally. See the statements of cash flow included in the financial statements that are a part of this news release.

Adjusted EBITDA is presented as a further supplemental measure of operating performance. As NRG defines it, Adjusted EBITDA represents EBITDA excluding impairment losses, gains or losses on sales, dispositions or retirements of assets, any mark-to-market gains or losses from accounting for derivatives, adjustments to exclude the Adjusted EBITDA related to the non-controlling interest, gains or losses on the repurchase, modification or extinguishment of debt, the impact of restructuring and any extraordinary, unusual or non-recurring items plus adjustments to reflect the Adjusted EBITDA from our unconsolidated investments. The reader is encouraged to evaluate each adjustment and the reasons NRG considers it appropriate for supplemental analysis. As an analytical tool, Adjusted EBITDA is subject to all of the limitations applicable to EBITDA. In addition, in evaluating Adjusted EBITDA, the reader should be aware that in the future NRG may incur expenses similar to the adjustments in this news release.

Management believes Adjusted EBITDA is useful to investors and other users of NRG's financial statements in evaluating its operating performance because it provides an additional tool to compare business performance across companies and across periods and adjusts for items that we do not consider indicative of NRG's future operating performance. This measure is widely used by debt-holders to analyze operating performance and debt service capacity and by equity investors to measure our operating performance without regard to items such as interest expense, taxes, depreciation and amortization, which can vary substantially from company to company depending upon accounting methods and book value of assets, capital structure and the method by which assets were acquired. Management uses Adjusted EBITDA as a measure of operating performance to assist in comparing performance from period to period on a consistent basis and to readily view operating trends, as a measure for planning and forecasting overall expectations, and for evaluating actual results against such expectations, and in communications with NRG's Board of Directors, shareholders, creditors, analysts and investors concerning its financial performance.

Adjusted cash flow from operating activities is a non-GAAP measure NRG provides to show cash from operations with the reclassification of net payments of derivative contracts acquired in business combinations from financing to operating cash flow, as well as the add back of merger, integration and related restructuring costs. The Company provides the reader with this alternative view of operating cash flow because the cash settlement of these derivative contracts materially impact operating revenues and cost of sales, while GAAP requires NRG to treat them as if there was a financing activity associated with the contracts as of the acquisition dates. The Company adds back merger, integration related restructuring costs as they are one time and unique in nature and do not reflect ongoing cash from operations and they are fully disclosed to investors.

Free cash flow (before Growth) is adjusted cash flow from operations less maintenance and environmental capital expenditures, net of funding, preferred stock dividends and distributions to non-controlling interests and is used by NRG predominantly as a forecasting tool to estimate cash available for debt reduction and other capital allocation alternatives. The reader is encouraged to evaluate each of these adjustments and the reasons NRG considers them appropriate for supplemental analysis. Because we have mandatory debt service requirements (and other non-discretionary

expenditures) investors should not rely on Free Cash Flow before Growth as a measure of cash available for discretionary expenditures.

Free Cash Flow before Growth is utilized by Management in making decisions regarding the allocation of capital. Free Cash Flow before Growth is presented because the Company believes it is a useful tool for assessing the financial performance in the current period. In addition, NRG's peers evaluate cash available for allocation in a similar manner and accordingly, it is a meaningful indicator for investors to benchmark NRG's performance against its peers. Free Cash Flow before Growth is a performance measure and is not intended to represent net income (loss), cash from operations (the most directly comparable U.S. GAAP measure), or liquidity and is not necessarily comparable to similarly titled measures reported by other companies.

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