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NRG Energy Inc.

Second Quarter 2022 Earnings Presentation

August 04, 2022

Safe Harbor

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 and extreme weather events, competition in wholesale power and gas markets, the volatility of energy and fuel prices, failure of customers or counterparties to perform under contracts, changes in the wholesale power and gas markets, changes in government or market regulations, the condition of capital markets generally, our ability to access capital markets, the potential impact of COVID-19 or any other pandemic on the Company’s operations, financial position, risk exposure and liquidity, data privacy, 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 or asset sales, our ability to implement value enhancing improvements to plant operations and companywide processes, our ability to achieve our net debt targets, our ability to achieve or 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 execute our market operations strategy, the ability to successfully integrate businesses of acquired companies, including Direct Energy, 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 an 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 and free cash flow guidance are estimates as of August 04, 2022. 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.

Agenda

Business Review

Mauricio Gutierrez
President & CEO

Financial Review

Alberto Fornaro
EVP & CFO

Closing Remarks

Mauricio Gutierrez
President & CEO

Q&A

Management

Key Messages

Platform Navigating Through Volatility; Maintaining 2022 Guidance

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Advancing Customer-Focused Growth Strategy

Executing $1 Billon Share Repurchase Program

Business Highlights & Results

Q2 Business Highlights

☑ Financial and Operational Results

- Top decile safety performance
- Published 12th Annual Sustainability Report
- Results impacted by W.A. Parish Unit outage

☑ Direct Energy Integration

- Reaffirming 2022 and full plan targets

☑ Perfect & Grow Integrated Platform

- Executing integrated home strategy; near-term focus on dual fuel, Goal Zero, and Airtron
- Portfolio optimization through asset-sales (Watson) and retirements (PJM)
- 'Staging' period of Investor Day roadmap; targeting 5-year, 15-20% FCFbG/share CAGR growth plan

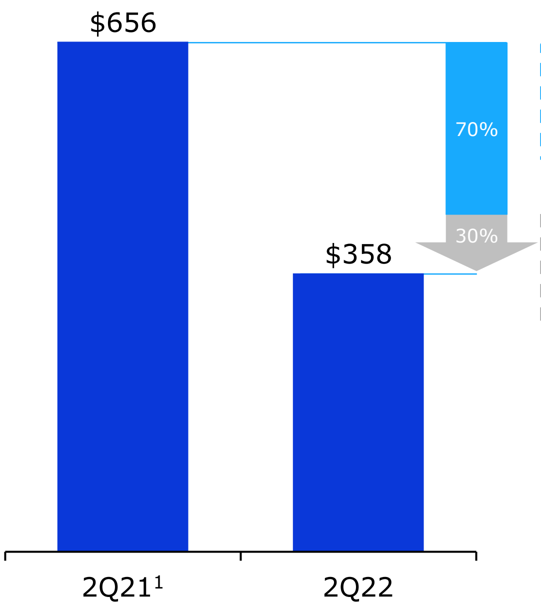
☑ Disciplined Capital Allocation

- $689 MM securitization proceeds received in late June
- ~$80 MM Uri-related expected recovery proceeds
- $1 Bn share repurchase program; $405 MM completed; current share count 235 MM

Financial Update

($ millions)

Adjusted EBITDA



Included in Guidance[2]:
- Asset Sales & Retirements
- '22 Transitory Items
- '21 DER[3] Intra-Year Shift

Variance to Guidance[2]:
- Parish U8 Extended Outage
- Growth Expense

Maintaining 2022 Financial Guidance

Second Quarter Results Reflect Known Guidance Drivers and Unplanned Outage

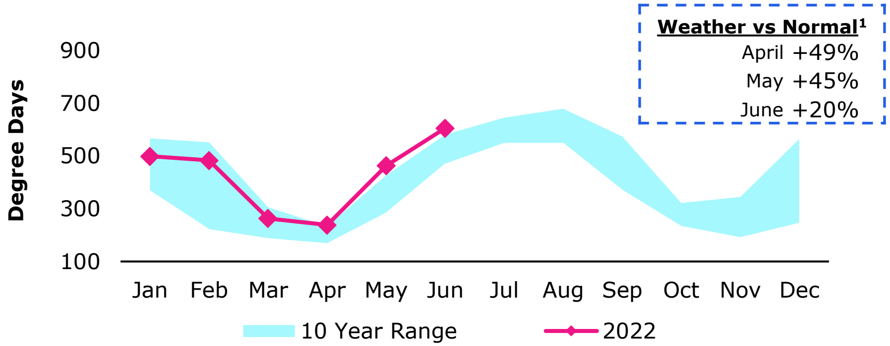
[1] 2Q21 results exclude the impact of Winter Storm Uri; [2] See slide 9 for details; [3] Demand Response Revenues (DER)

2Q22 Market Review

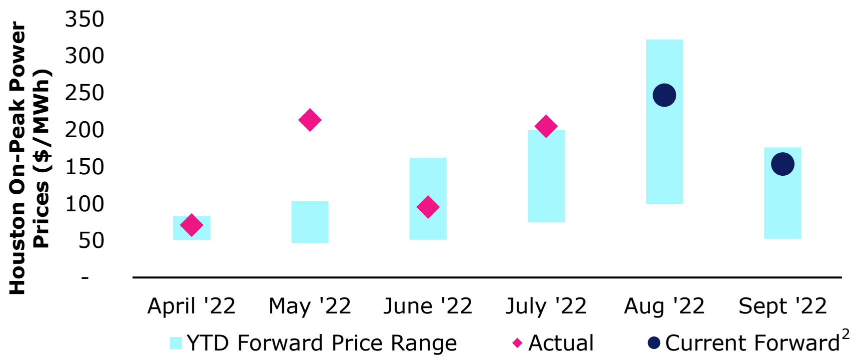
Platform Continues to Deliver through Record Volatility

Record Load and Price Volatility Mitigated Through Hedging Program

Above Average Texas Temperatures…



…Result in Extreme Price Volatility



Strong Retail Performance Offset by Unplanned Outage

☑ **Strong Retail Operational Performance**

- Retention exceeded target by 5%; Grew Texas and East customers 1.2% Q/Q
- Increased customer offer term length while improving margin predictability
- Disciplined approach to pricing in volatile market

☑ **Mixed Generation Supply Performance**

- Expanded spring and opportunistic maintenance plan aided strong YTD operational results
- W.A. Parish Unit 8 (610 MW) outage impacts supply cost

☑ **Diverse Hedge Program Moderates Volatility**

- Balanced hedging strategy increased earnings stability through record price / load volatility
- Parish Unit 8 extended outage; expect to receive business interruption and property insurance[3]

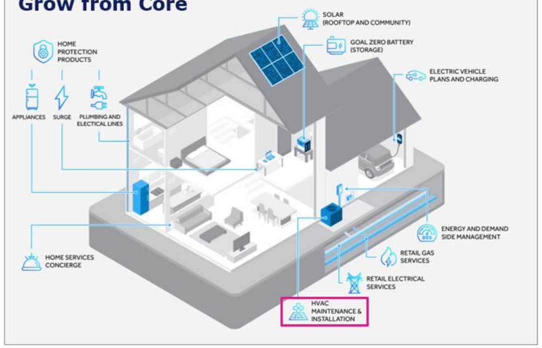
Strong Retail Fundamentals to Deliver Long-Term Strategy

[1] Degree Days compared to 10-year average in Texas; [2] As of 7/29/2022; [3] See slide 21

Airtron: HVAC Solutions Complementary to Core

In Focus

Grow from Core



Solution	Capability	Status
Energy Services		
Power	nrg	Operational
Natural Gas	nrg	Operational
Solar	Partner Network	Pilot
Storage	Goal Zero	Operational
EV	Partner Network	Developing
Energy Mgmt	nrg	Developing
Home Services		
Concierge	Partner Network	Developing
HVAC	**Airtron**	**Operational**
Protection	Allied / Direct Energy / Protection Plans	Operational
Security	Partner Network	Developing

Airtron: Home Service Company with Scale

- ☑ **Significant Scale** – #1 provider nationally & top 3 across core retail markets
- ☑ **Growing Opportunity** – Complementary offerings with existing products; present in 9 states
- ☑ **Customer Focused** – Best-in-class NPS & brand recognition

Strategic Focus

1. New Construction Installation
2. Residential Home Installation
3. System Service & Maintenance

Significant Geographic Overlap[1]

Compelling Opportunity

	Airtron	Industry
Revenue	~$450 MM *2021A*	~8% CAGR
Gross Margin	>30%	25-30%

Integration Into Home Platform Accelerates Growth, Extends Customer Lifetime and Improves Home Connectivity

[1] Operations in NC, SC, TN, VA, MD, D.C., OH, IN, KY and TX

Financial Review

Financial Update

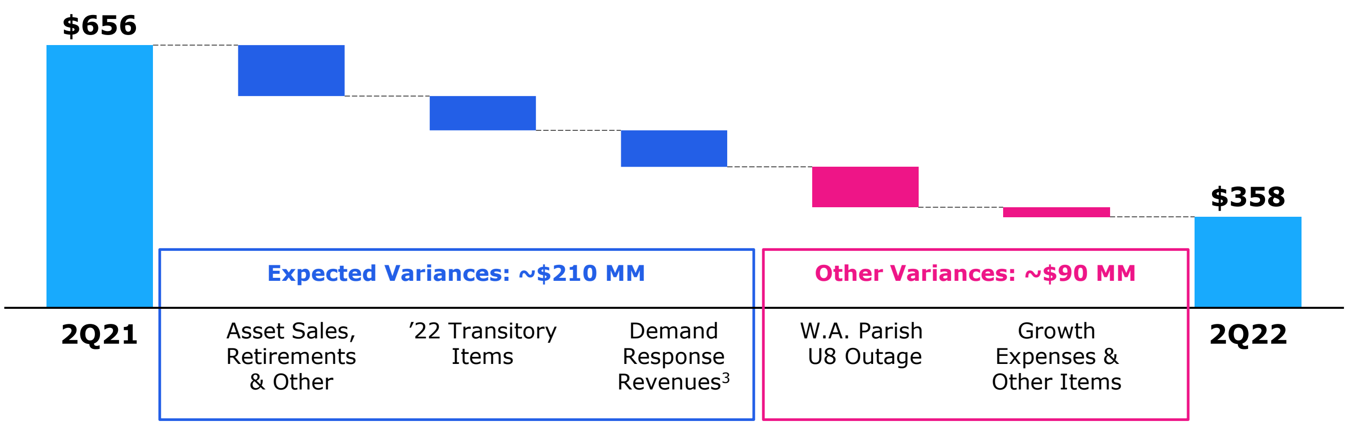
($ millions)

	Three Months Ended		Six Months Ended		Maintaining 2022 Guidance
	6/30/22	6/30/21	6/30/22	6/30/21	
Texas	$251	$312	$449	$558	$1,300–$1,500
East/West/Services/Other[1]	107	344	418	665	650–750
Adjusted EBITDA[2]	**$358**	**$656**	**$867**	**$1,223**	**$1,950–$2,250**
Free Cash Flow before Growth ("FCFbG")			**$336**	**$768**	**$1,140–$1,440**

Levers to manage earnings volatility and outages:

- DE synergies upside
- One-time cost savings
- Operational performance
- Reduce supply costs

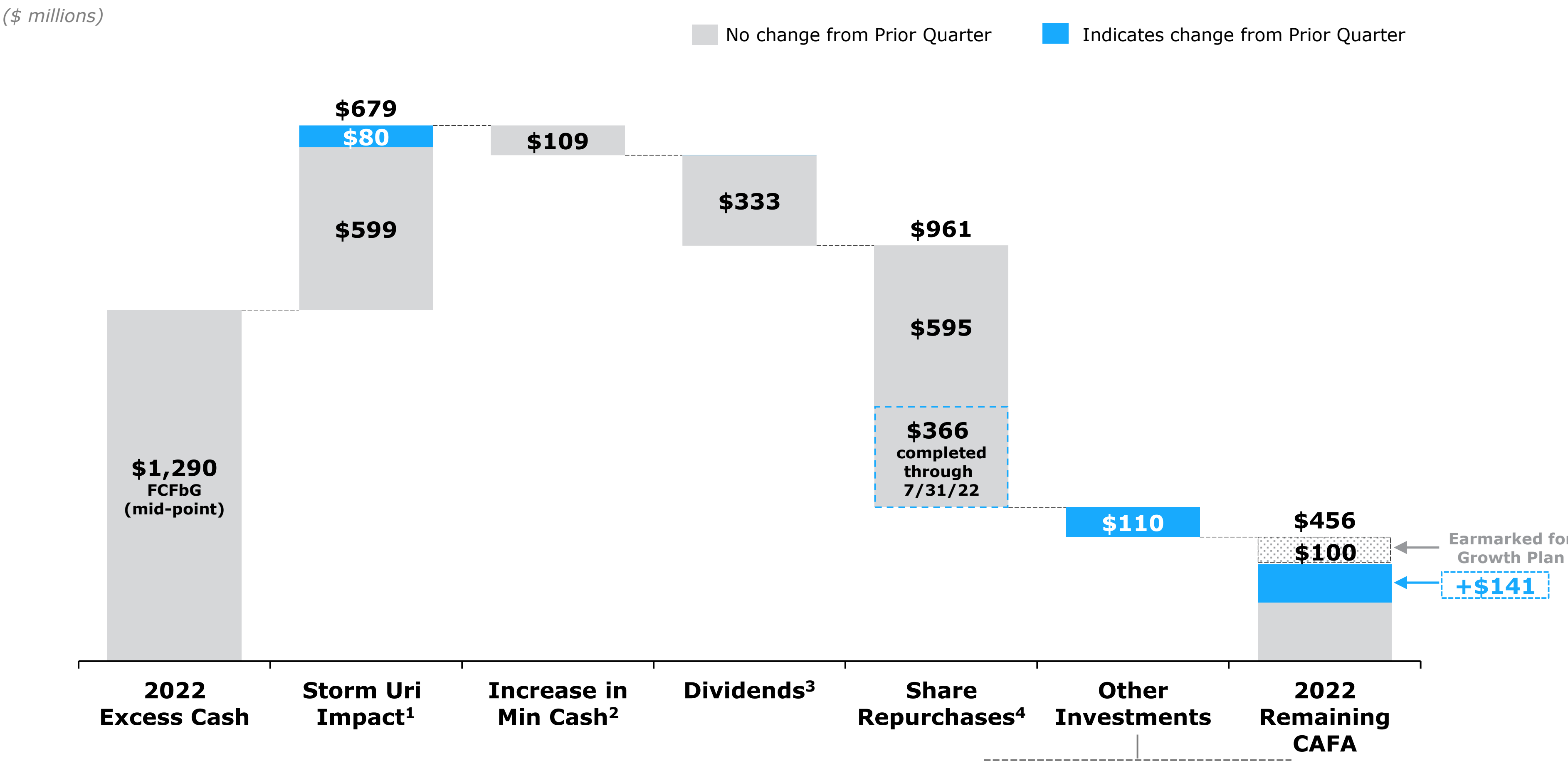
2Q22 Adjusted EBITDA



Maintaining 2022 Guidance; Navigating Market Volatility

[1] Includes Corporate segment; [2] Three and Six Months Ended June 30, 2021 excludes Winter Storm Uri 2021 loss of ($82) million and ($1,049) million respectively; [3] 2Q21 early (intra-year) settlement of Business Demand Response capacity obligations

2022 Capital Allocation



DE Integration Costs	70
Small Books	50
Encina Site Improvement	25
Asset sales/Other[5]	(35)

[1] $599 MM includes $696 MM in net securitization proceeds and recovery of ERCOT default shortfall payments less $97 MM of C&I bill credits, $80 MM represents incremental expectations for Uri-related recovery proceeds; [2] Increase in minimum cash from $541 MM to $650 MM – to reflect minimum cash post acquisition of Direct Energy; [3] Dividends calculated based on 235 MM shares outstanding as of 7/31/2022, previously $334 MM as reported in 1Q22 earnings presentation; [4] $1 Bn Share buyback authorization; $39 MM executed December 2021; [5] Includes proceeds from the sale of the Company's 49% ownership in the Watson facility

Corporate Credit Profile

($ millions)

	2022 Guidance
Corporate Debt[1]	**$8,100**
Minimum Cash balance	(650)
2022 Unallocated Capital[2]	(356)
Corporate Net Debt	**$7,094**
Adjusted EBITDA[3]	**$2,100**
Other Adjustments[4]	175
Corporate Adjusted EBITDA	**$2,275**

	Long-Term Target Investment Grade Metrics
Net Debt / Adjusted EBITDA	**2.50 – 2.75x**
Adjusted CFO/ Net Debt	**27.5 – 32.5%**
(Adjusted CFO + Interest) / Interest	**5.5 – 6.5x**

Expect to grow into Long-Term Target Range of 2.50x – 2.75x

[1] Balance at 12/31/2021; [2] Temporary until permanently allocated; [3] 2022 based on midpoint of guidance range, see slide 21 for Reg G reconciliation; [4] Includes non-cash expenses (e.g., nuclear amortization, equity compensation amortization, and bad debt expense) and non-cash equity earnings that are included in Adjusted EBITDA

Closing Remarks

2022 Priorities

- ☐ **Deliver on Financial, Operational and ESG Objectives**

- ☐ **Execute on Direct Energy Objectives**
  - ☐ $50 MM incremental 2022 EBITDA-accretive synergies (cumulative $225 MM in '22)
  - ☐ $300 MM cumulative 2023 run-rate EBITDA-accretive synergies – On Track

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- ☐ **Optimize and Grow from Core**
  - ☐ Execute 'Test & Learn' phase of 5-year, 15-20% FCFbG/share growth roadmap
  - ☐ Enhance transparency through financial and operational disclosures
  - ☐ Increase renewable, storage, quick-start natural gas supply through capital-light (PPA) strategy
    - ☑ 2.4 GW of renewable PPAs signed
  - ☐ Portfolio / real-estate optimization

- ☐ **Execute Disciplined Capital Allocation Plan**
  - ☐ Maintain strong balance sheet
  - ☐ Advance plan to grow into Investment Grade metrics of 2.50-2.75x
  - ☐ Execute $1 Bn share repurchase program in 2022
    - ☑ $405 MM completed

Appendix

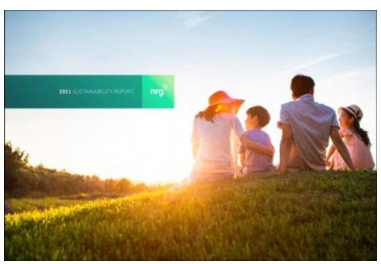
Committed to Sustainability

NRG Sustainability Framework

- Sustainable Business
- Sustainable Customers
- Sustainable Workplace
- Sustainable Operations
- Sustainable Suppliers

Industry-Leading Disclosure

12th Sustainability Report



TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

SASB ALLIANCE

Comprehensive Approach

SUSTAINABLE DEVELOPMENT GOALS

WOMEN'S EMPOWERMENT PRINCIPLES EQUALITY MEANS BUSINESS

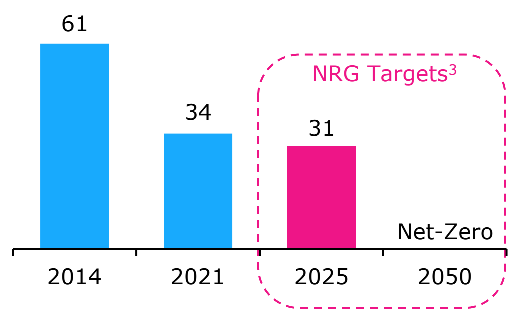
CDP DISCLOSER 2021

SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Environmental Leadership[1]

U.S. CO_2e Emissions ($MMtCO_2e^2$)

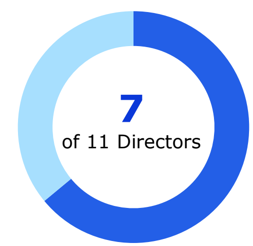
Carbon Reduction Target: 50% by 2025; net-zero by 2050



- ☑ Goals certified as 1.5 degrees Celsius-aligned by Science Based Targets initiative
- ☑ #14 on 2021 *Forbes* Green Growth List
- ☑ 2021 Climate Leadership Award for Excellence in Greenhouse Gas Management

Diversity & Inclusion Focus

64% Board Diversity



- ☑ Four women and three ethnically diverse board members
- ☑ Champion of Board Diversity award, Forum of Executive Women
- ☑ Diversity, Equity, and Inclusion one of the company's five core values
- ☑ Dedicated Diversity, Equity, and Inclusion management Steering Committee
- ☑ Independent board: 91%[4]

[1] Data as of December 31, 2021; [2] Million metric tons of carbon dioxide equivalent; [3] NRG's goal is to reduce its total Scope 1, 2 (purchased electricity), and 3 (employee business travel) CO_2e emissions by 50% by 2025, from the current 2014 baseline, and achieve net-zero emissions by 2050; [4] All Directors except CEO

Mature Risk Strategy

Managing Through-Cycle Stability

1 Forecast & Price

- Proprietary forecasting program models expected load and variability
- Data analytics form actionable insights into macro and micro usage patterns and trends
- Pricing model reflects insights from customer data/usage

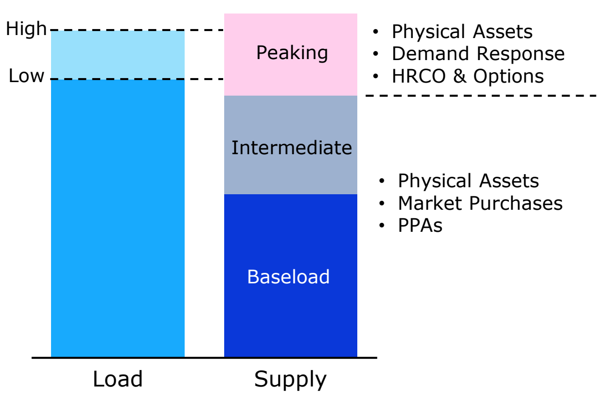
2 Retail Sale & Hedge

- Fully hedge priced load to firm gross margin
- Partially hedge expected future unpriced load (month-to-month) to mitigate bill shock
- Unique products require tailored hedging solutions to flex with usage variability

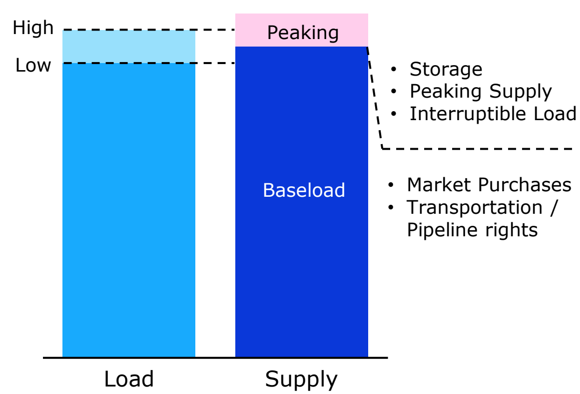
3 Optimize

- Perfect hedge profile to incorporate additional data (i.e. weather)
- Optimize hedge profile to reflect commercial market intelligence to achieve enhanced returns and lower supply costs

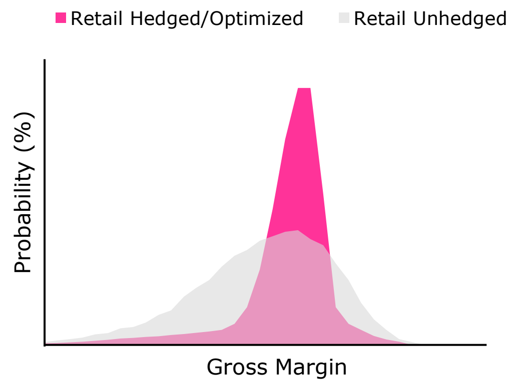
Power Retail



Natural Gas Retail



Stabilize & Enhance Gross Margin

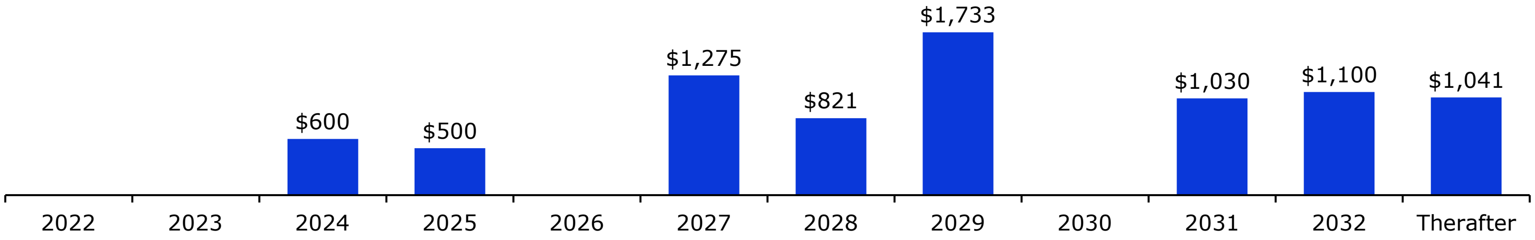


At Signing, Day 0: Hedge to Expected Load

Day 1 thru Delivery Day: Optimize

Recourse Long-Term Debt Maturity Schedule
Balance as of 06/30/2022

($ millions)



Recourse Debt	Principal
6.625% Senior notes, due 2027	$375
5.75% Senior notes, due 2028	$821
5.25% Senior notes, due 2029	$733
3.375% Senior notes, due 2029	$500
3.625% Senior notes, due 2031	$1,030
3.875% Senior notes, due 2032	$1,100
2.75% Convertible Senior Notes, due 2048[1]	$575
3.75% Senior Secured First Lien Notes, due 2024	$600
2.00% Senior Secured First Lien Notes, due 2025	$500
2.45% Senior Secured First Lien Notes, due 2027	$900
4.45% Senior Secured First Lien Notes, due 2029	$500
Tax-exempt bonds	$466
Recourse Debt	**$8,100[2]**

NRG Energy, Inc. Credit Rating	
S&P	**Moody's**
BB+ Stable	**Ba1 Stable**

Uniform Maturity Schedule with No Maturity Walls

[1] Notes will become convertible during each of the ~6-month periods following December 1, 2024 and December 1, 2047; for updated convertible rate as of 7/29/2022, see page 28 of 2Q22 10Q; [2] Excludes revolving credit facilities

Direct Energy Integration
Advancing Customer Focused Strategy

($ millions)

Direct Energy Integration Scorecard

On Track

As of 06/30/2022	2021 Realized	2022 Target	2023 / Run Rate
Accretive & Recurring:			
Synergies	175	225	300
Total Recurring EBITDA & FCFbG –Accretion	**$175**	**$225**	**$300**
Non-Recurring:			
Integration Cost[1]	104	70	26
	$104	**$70**	**$26**

☐ **2022: $50 MM Incremental Synergies Target**

☑ $39 MM Incremental Synergies Achieved YTD

Reaffirming Full Plan Targets

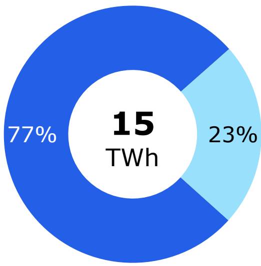
[1] 2020 Integration Costs ~$10M

2Q22 Business Metrics

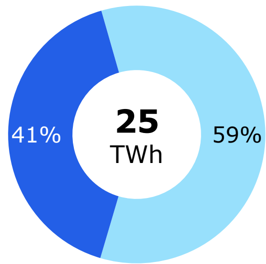
Home & Business Volumes

Texas | East / Other

Electric



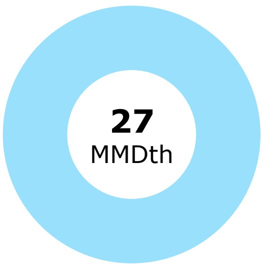
Home / Residential



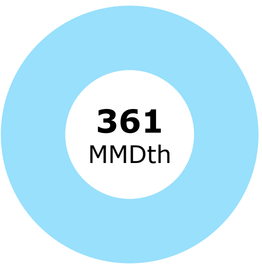
Business / C&I

40 TWh
Electricity

Natural Gas



Home / Residential



Business / C&I

388 MMDth
Natural Gas

Strong Retail Performance – Ending Quarter at 5.6 MM Home Customers

Appendix: Reg. G Schedules

($ millions)

Appendix Table A-1: 2022 Guidance

The following table summarizes the calculation of Free Cash Flow before Growth and provides a reconciliation to Adjusted EBITDA and to Net Income:

	2022 Guidance
Net Income[1]	**$350 - $650**
Interest expense, net	380
Income tax	165
Depreciation, amortization, contract amortization, and ARO expense	760
Adjustment to reflect NRG share of Adjusted EBITDA in unconsolidated affiliates	70
Impairments[2]	155
Other costs[3]	70
Adjusted EBITDA	**1,950 - 2,250**
Interest payments, net	(360)
Income tax	(50)
Working capital / other assets and liabilities	(80)
Cash provided by Operating Activities	**1,460 - 1,760**
Adjustments: Proceeds from investment and asset sales, collateral, nuclear decommissioning trust liability	10
Adjusted Cash Flow from Operations	**1,470 - 1,770**
Maintenance capital expenditures	(310) - (330)
Environmental capital expenditures	(5) - (10)
Free Cash Flow before Growth	**$1,140 - $1,440**

- Maintenance Capital Expenditures: includes 2022's deployed capital to return Limestone Unit 1 into service in April 2022, and expected 2022 capital to return W.A. Parish Unit 8 into service
- Working Capital / Other Assets and Liabilities: includes expected property damage reimbursements in 2022 for capital deployed to return Limestone Unit 1 and W.A. Parish Unit 8 into service; expected reimbursements closely timed with capital deployed is expected to result in minimal impact on 2022 FCFbG

[1] For purposes of guidance, fair value adjustments related to derivatives are assumed to be zero; [2] Represents impairments of Midwest Generation goodwill and PJM generating assets; [3] Includes deactivation costs and integration expenses

Reg. G

($ millions)

Appendix Table A-2: Three months ended 6/30/22 and 6/30/21 Adjusted EBITDA Reconciliation by Operating Segment
The following table summarizes the calculation of Adjusted EBITDA and provides a reconciliation to Net Income/(Loss):

	Three Months ended 6/30/22					Three Months ended 6/30/21				
	Texas	**East**	**West/ Services/ Other**	**Corp/Elim**	**Total**	**Texas**	**East**	**West/ Services/ Other[1]**	**Corp/Elim**	**Total**
Net Income/(Loss)	**$ 766**	**$ (10)**	**$ 18**	**$ (261)**	**$ 513**	**$ 783**	**$ 783**	**$ 38**	**$ (526)**	**$ 1,078**
Plus:										
Interest expense, net	-	(2)	8	88	94	-	(2)	3	124	125
Income tax	-	(1)	11	142	152	-	-	13	367	380
Depreciation and amortization	77	50	22	8	157	84	(56)	18	7	53
ARO expense	3	5	1	-	9	5	3	4	-	12
Contract and emission credit amortization, net	(2)	(25)	5	-	(22)	(8)	77	10	-	79
EBITDA	**844**	**17**	**65**	**(23)**	**903**	**864**	**805**	**86**	**(28)**	**1,727**
Winter Storm Uri impact	-	-	-	-	-	71	5	2	4	82
Adjustment to reflect NRG share of adjusted EBITDA in unconsolidated affiliates	-	-	17	-	17	-	-	18	-	18
Acquisition and divestiture integration and transaction costs	-	-	-	14	14	-	-	-	22	22
Legal settlements	-	-	-	-	-	-	-	-	2	2
Deactivation costs	-	5	-	-	5	-	15	-	-	15
Loss / (gain) on sale of assets	12	-	(44)	-	(32)	-	-	-	-	-
Other non recurring charges	1	20	(5)	(1)	15	2	1	-	(2)	1
Impairments	-	155	-	-	155	-	306	-	-	306
Mark-to-market for economic hedging activities, net	(606)	(136)	23	-	(719)	(625)	(851)	(41)	-	(1,517)
Adjusted EBITDA	**$ 251**	**$ 61**	**$ 56**	**$ (10)**	**$ 358**	**$ 312**	**$ 281**	**$ 65**	**$ (2)**	**$ 656**

($ millions)

Appendix Table A-3: Six months ended 6/30/22 and 6/30/21 Adjusted EBITDA Reconciliation by Operating Segment
The following table summarizes the calculation of Adjusted EBITDA and provides a reconciliation to Net Income:

	Six Months ended 6/30/22					Six Months ended 6/30/21				
	Texas	East	West/ Services/ Other[1]	Corp/Elim	Total	Texas	East	West/ Services/ Other	Corp/Elim	Total
Net Income/(Loss)	**$ 1,539**	**$ 1,531**	**$ 143**	**$ (964)**	**$ 2,249**	**$ 350**	**$ 1,139**	**$ 112**	**$ (605)**	**$ 996**
Plus:										
Interest expense, net	-	(3)	15	182	194	1	(2)	6	246	251
Income tax	-	(1)	10	714	723	-	-	18	277	295
Depreciation and amortization	153	128	43	16	340	161	150	45	14	370
ARO Expense	6	7	3	-	16	7	5	2	-	14
Contract and emission credit amortization, net	(4)	122	7	-	125	(7)	77	10	-	80
EBITDA	**1,694**	**1,784**	**221**	**(52)**	**3,647**	**512**	**1,369**	**193**	**(68)**	**2,006**
Winter Storm Uri impact	-	-	-	-	-	1,193	(138)	(10)	4	1,049
Adjustment to reflect NRG share of adjusted EBITDA in unconsolidated affiliates	-	-	35	-	35	-	-	37	1	38
Acquisition and divestiture integration and transaction costs	-	-	-	24	24	-	-	-	66	66
Legal Settlements	-	-	-	-	-	-	-	-	9	9
Deactivation costs	-	9	-	-	9	-	16	-	-	16
Loss / (gain) on sale of assets	12	-	(43)	2	(29)	-	-	(17)	-	(17)
Other non recurring charges	2	20	(11)	11	22	2	1	1	(16)	(12)
Impairments	-	155	-	-	155	-	306	-	-	306
Mark-to-market for economic hedging activities, net	(1,259)	(1,582)	(155)	-	(2,996)	(1,149)	(1,013)	(76)	-	(2,238)
Adjusted EBITDA	**$ 449**	**$ 386**	**$ 47**	**$ (15)**	**$ 867**	**$ 558**	**$ 541**	**$ 128**	**$ (4)**	**$ 1,223**

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($ millions)

Appendix Table A-4: Six months ended 6/30/2022 and 6/30/2021 Free Cash Flow before Growth
The following table summarizes the calculation of Free Cash Flow before Growth and provides a reconciliation to Cash Provided by Operating Activities:

	Six Months Ended 6/30/22	Six Months Ended 6/30/21
Adjusted EBITDA	**$ 867**	**$ 1,223**
Winter Storm Uri loss	-	(1,049)
Interest payments, net	(178)	(191)
Income tax	(36)	12
Collateral / working capital / other	2,536	382
Net Cash Provided by Operating Activities	**3,189**	**377**
Winter Storm Uri:		
Loss	-	1,049
Securitization, C&I credits and remaining open accounts receivables	(624)	(111)
Net receipts from settlement of acquired derivatives that include financing elements	950	191
Acquisition and divestiture transaction and integration costs	24	66
Encina site improvement	9	14
GenOn Settlement	4	-
Adjustment for change in collateral	(3,121)	(696)
Nuclear decommissioning trust liability	7	(27)
Adjusted Cash Flow from Operations	**438**	**863**
Maintenance capital expenditures, net	(101)	(94)
Environmental capital expenditures, net	(1)	(1)
Free Cash Flow before Growth	**$ 336**	**$ 768**

Reg. G

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 expense (including loss on debt extinguishment), income taxes, depreciation and amortization, asset retirement obligation expenses, contract amortization consisting of amortization of power and fuel contracts and amortization of emission allowances. 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 presentation.

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 forward position of economic hedges, 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 presentation.

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.

Reg. G

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, related restructuring costs, changes in the nuclear decommissioning trust liability, and the impact of extraordinary, unusual or non-recurring items. 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. The company excludes changes in the nuclear decommissioning trust liability as these amounts are offset by changes in the decommissioning fund shown in cash from investing.

Free cash flow (before Growth investments) 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 investments as a measure of cash available for discretionary expenditures.

Free Cash Flow before Growth Investment is utilized by Management in making decisions regarding the allocation of capital. Free Cash Flow before Growth Investment 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 Investment 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.