Dear Fellow NRG Stockholders,

2016 was a year of change for NRG. We announced a new mission for our company. We simplified our business model, focusing on our core strengths—generation and retail. We began a concerted effort to increase financial flexibility, focusing on strengthening the balance sheet and operating a lower-cost platform. And we pursued all of these changes while continuing to deliver strong financial and operational results.

The catalyst for many of the changes to our business is the continued disruption in the electric power industry. From the abundance of low-cost natural gas to the increasing role of renewables, our industry is changing and so is the business model needed to succeed. In adapting to this change, the business model that will create long-term value is one that leverages current strengths and creates efficiencies. With this in mind, we began our refocusing efforts in late 2015. We developed a plan to enhance our entire platform, with objectives including deleveraging, cost reductions and divestments. As part of this plan, we also made a commitment to you, our shareholders, to simplify our value proposition and bring a renewed sense of financial discipline to our decision making.

The strengthened foundation we have today positions NRG for both near-term and longer-term value creation; however, there is still more to do. Our total shareholder return in 2016 was 6.4% and while this return outpaced our sector peers. I know we can do better. You can expect that we will work every day to further strengthen our business and optimize our portfolio.

I am excited about the opportunities ahead and proud of what we have achieved during my first year as CEO.

Strengthening our Foundation

Strengthening the NRG foundation began with simplification, both in terms of perception and internal structure. We made the decision to refocus our business on our core expertise and set targets for cost reductions, portfolio repositioning and debt reduction, while providing better visibility into capital allocation decision making.

First, we identified and executed on corporate streamlining and cost-cutting initiatives, resulting in over half a billion dollars of total costs savings. This represents a 13% reduction from our 2015 baseline.

Second, we began divesting from several underperforming and non-core parts of the business. We scaled back our residential solar and electric vehicles charging businesses while reintegrating our renewable generation business to maintain a strong position in this growing market. We also identified assets that could be sold at value, generating $550 million in proceeds, which surpassed our initial $500 million target.

Third, we better aligned our capital structure to the current market cycle. We recognize that power prices in many of our markets has been subdued for several years—driven by a variety of factors including weather, natural gas prices, renewable energy and changes in fuel mix. Having begun our deleveraging efforts in 2015 with $250 million in corporate-level debt retired during the fourth quarter, we sought to create greater financial flexibility and ensure the strength of our balance sheet during the current market cycle, devoting over 60 cents of every dollar of our allocated capital to deleveraging and convertible preferred stock redemption in 2016. Through these efforts, we repurchased $1 billion of corporate-level debt and extended $6 billion in corporate-level debt maturities past 2020. In the process, we also reduced annual corporate cash interest payments and preferred dividends by $100 million, enhancing our ability to deliver robust free cash flow.

We also continued to optimize our fleet. We successfully converted three plants representing 2.2 gigawatts (GW) from burning coal to natural gas, significantly improving their competitiveness in the market. Late in 2016, we finished construction of our Petra Nova carbon capture project at our WA Parish plant in Texas, bringing this first of its kind technology online both on time and on budget. We continued to develop our renewables business to position ourselves favorably against the back drop of our country's changing fuel mix and opportunities for strong cash flows through long-term contracts. During 2016, we acquired 1.7 GW of operating or in-development wind and solar assets. Today, NRG and NRG Yield's combined 4.7 GW renewable portfolio is one of the largest in the country.

Our commitment to strengthening our company continues as we look to 2017 and beyond. We accomplished a lot in 2016, but I believe in continuous improvement and will never stop looking for ways to optimize our business. We have already committed to further reducing our corporate-level debt by $600 million in 2017, and we remain focused on additional cost-cutting and portfolio repositioning initiatives.

Continuing our Transformation

While we are focused on creating value for our shareholders today and into the future, we must also remain vigilant. Creating *sustained* value requires constant monitoring of the greatest forces of change in our industry so that we can properly adapt our business and execution.

A shift in generation fuel mix, emerging energy technologies, evolving consumer preference, and environmental regulation, have all driven the competitive power industry to change the business model needed to succeed over the longer term. While sufficient at the outset of competitive power markets, the pure-play Independent Power Producer (IPP) model without the benefits of retail and portfolio diversity has become outdated and is unlikely to create sustained value in the evolving power sector.

The successful competitive power company of the future will be integrated and diversified but also able to grow efficiently within one flexible platform that is cost-efficient and practices prudent financial management. This company must deliver energy reliably and safely while working to reduce its environmental footprint over time, recognizing the role that our industry plays in moving toward a cleaner energy future. This is the NRG model, and the many steps we have taken to transform our business leave us uniquely positioned in our industry:

- The scale of our core—Generation/Retail—integrated platform allows us to realize unique operational synergies and efficiencies;
- Our diversified portfolio and business lines create a stable base of earnings and free cash flow while maintaining significant upside to a market recovery: *More than two thirds of our 2016 economic gross margin came from sources not directly correlated to the price of natural gas*;
- Our retail platform empowers residential, commercial and industrial consumers by offering products and services that can be tailored to their specific energy needs;
- Through our strategic partnership with NRG Yield, we are able to capitalize on growth opportunities and quickly replenish capital at strong returns;
- Recognizing the cyclical nature of our business, we remain disciplined in pursuing a cycle-appropriate capital structure;

- We are committed to sustainability, creating a positive impact on our communities and reducing the environmental footprint of our fleet while ensuring long-term competitiveness: increasing our mix of newer, cleaner energy sources, retrofitting assets with environmental controls, implementing carbon capture technologies, converting assets from coal to gas;
- And importantly, we maintain an unwavering commitment to safety, achieving top decile safety performance in 2016 and our second best safety year on record.

Creating a business that is able to not just weather but thrive in volatile, evolving markets is not easy; however, I am certain that NRG's unique platform is well-positioned for sustained success in this evolving sector.

Protecting Competitive Markets

Thinking more broadly about our sector, the preservation and fostering of competitive markets is an integral driver of consumer benefits and choice. Competition is at the heart of innovation and brings many benefits to consumers: cost efficiencies, higher quality products and services and greater control and empowerment. This is true for all industries, especially in the electricity sector.

On the generation side, several market participants and states have recently shown support for out-of-market contracts and subsidies to keep otherwise uneconomic power plants online. This runs counter to the fundamental principles of competitive markets that are intended to keep efficient units online and force inefficient units to retire. These actions may bring short-term gains but they harm the market and the entire value chain of energy generation and consumption—not to mention the unintended consequences of suppressing innovation.

On the retail side, competition is just as important and NRG will continue to push for market mechanisms that encourage innovative new offerings and consumer choice. For both parts of our business—generation and retail—NRG will continue to be a vocal advocate of competitive markets.

Looking Forward

2016 was a great start to a new beginning for NRG and looking forward to 2017, you should expect us to maintain a relentless focus on sustained value creation so that as our industry evolves, we will be at the forefront.

I thank all of my NRG colleagues for their relentless focus on execution throughout the past year and I thank you, our shareholders, for your support as we continue on this journey together.

Sincerely,

MAURICIO GUTIERREZ
President and Chief Executive Officer