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Centrica plc Preliminary Results

for the year ended 31 December 2017

Disclaimer

This presentation does not constitute an invitation to underwrite, subscribe for, or otherwise acquire or dispose of any Centrica shares or other securities.

This presentation contains certain forward-looking statements with respect to the financial condition, results, operations and businesses of Centrica plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts.

Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser.

This announcement contains inside information which is disclosed in accordance with the Market Abuse Regulation.

Iain Conn

Group Chief Executive

Summary

- H2 financial results weak, particularly in Business energy supply
- Extremely poor 2017 shareholder experience even though 2017 targets delivered
- Addressing important questions
- Phase 1 of Centrica's strategic repositioning completed
    - Encouraging progress as we focus on the customer and reinforce the core
    - Asset portfolio materially repositioned
    - £750m p.a. cost efficiency programme delivered; net debt in end-2017 target range
- 2018-20 focus on performance delivery and financial discipline
    - Demonstrating customer-led gross margin growth
    - Driving cost efficiency with additional £500m p.a. target
    - Delivering AOCF of £2.1bn-£2.3bn p.a. on average and net debt in £2.25bn-£3.25bn range
- Expect to maintain current dividend subject to delivering targeted AOCF and net debt

2017 financial performance

- Adjusted operating profit down 17% to £1.25bn; adjusted earnings down 22% to £698m
- Adjusted EPS down 25% to 12.6p
- Adjusted operating cash flow of £2.07bn; EBITDA down 9% to £2.14bn
- Centrica Consumer adjusted operating profit down 1%, demonstrating resilience
- Centrica Business adjusted operating profit down 67%; very poor H2 performance in energy supply
- Delivered targeted £750m p.a. of efficiencies three years early
- Net Debt of £2.6bn, towards the bottom of the targeted range
- Full year dividend of 12.0p per share

Important questions we will address today

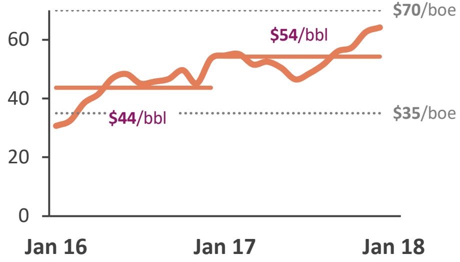
- **Strategy:** Are the components of the strategy right and how do they reinforce each other?
- **Cost efficiency:** Potential to offset gross margin pressure and underpin financial confidence?
- **Resilience:** In the face of competition and potential price cap in UK?
- **Customer accounts:** What are the dynamics and how concerned should we be?
- **North America Business:** Have we resolved the issues and why is it a good business?
- **E&P & Nuclear:** What are the future intentions?
- **Capability:** How can we be sure we have the capabilities to deliver on the strategy?
- **M&A:** Attitude to acquisitions and disposals?
- **Financial framework and priorities for 2018-20:** Outlook for cash flow and the dividend?

Jeff Bell

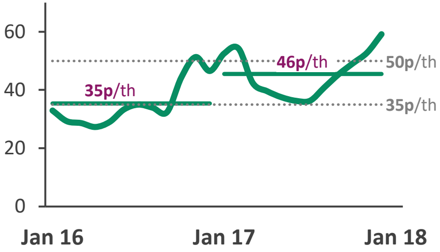
Group Chief Financial Officer

Commodity prices & weather

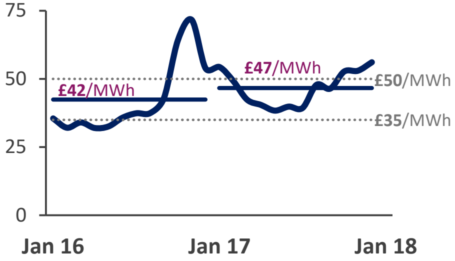
Average Brent oil prices ($/bbl)



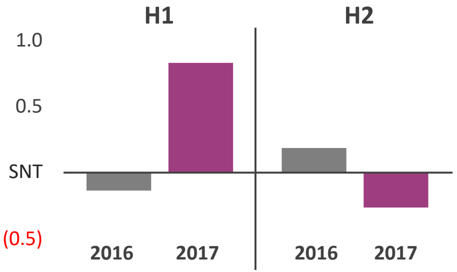
Average UK NBP gas prices (p/th)



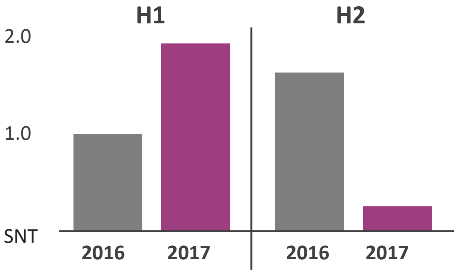
Average UK baseload power prices (£/MWh)



Average UK temperature vs SNT (°c)



Average US NE temperature vs SNT (°c)



2016 and 2017 Brent oil, UK NBP gas and UK baseload power prices are historic month ahead prices averaged over the period. SNT = seasonal normal temperature.

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Financial headlines

Year ended 31 December	2016	2017	Δ
Revenue (£m)	27,102	**28,023**	3%
Adjusted operating profit (£m)	1,515	**1,252**	(17%)
Adjusted effective tax rate (%)	25%	**22%**	(3ppt)
Adjusted earnings (£m)	895	**698**	(22%)
Adjusted basic earnings per share (p)	16.8	**12.6**	(25%)
Full year dividend per share (p)	12.0	**12.0**	0%
EBITDA (£m)	2,365	**2,142**	(9%)
Adjusted operating cash flow (£m)	2,686	**2,069**	(23%)
Underlying adjusted operating cash flow growth	13.3%	**(13.0%)**	nm
Group net investment (£m)	1,039	**46**	(96%)
Net debt (£m)	3,473	**2,596**	(25%)
Return on average capital employed	16%	**14%**	(2ppt)
Net exceptional items after taxation (£m)	27	**(476)**	nm

The above adjusted figures are before exceptional items and certain re-measurements. Adjusted operating profit includes share of joint ventures and associates before interest and taxation. EBITDA is operating profit before exceptional items, certain re-measurements, share of profits of joint ventures and associates net of interest and taxation and depreciation, amortisation, impairments and write-downs. Underlying AOCF is calculated after adjusting for foreign exchange and the impact of commodity price movements on E&P and Nuclear and excluding the one-off working capital movements in UK Business in 2016. Reconciliations of adjusted operating profit, adjusted earnings and adjusted operating cash flow are provided in the Group Financial Review and other adjusted performance measures are explained on pages 76 to 78 of the Preliminary Results announcement.

Adjusted operating profit

Year ended 31 December (£m)	2016	**2017**	Δ
Centrica Consumer	*899*	***890***	*(1%)*
Centrica Business	*481*	***161***	*(67%)*
Customer-facing businesses	1,380	**1,051**	(24%)
Asset businesses	135	**201**	49%
Total Centrica	1,515	**1,252**	(17%)

The above figures are stated before exceptional items and certain re-measurements and include share of joint ventures and associates before interest and taxation. A reconciliation of adjusted operating profit is provided in the Group Financial Review in the Preliminary Results announcement.

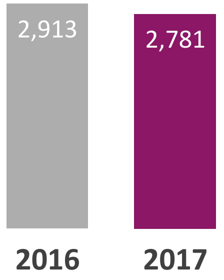
Centrica Consumer

ADJUSTED OPERATING PROFIT / (LOSS)			
Year ended 31 December (£m)	2016	2017	Δ
UK Home	810	**819**	1%
Ireland	46	**47**	2%
North America Home	93	**119**	28%
Connected Home	(50)	**(95)**	(90%)
Centrica Consumer	899	**890**	(1%)
ADJUSTED OPERATING CASH FLOW			
Centrica Consumer	1,225	**1,023**	(16%)

ADJUSTED OPERATING PROFIT

Ireland (€m)	*56*	***54***	*(4%)*
North America Home ($m)	*124*	***156***	*26%*

Consumer gross margin
(£m)



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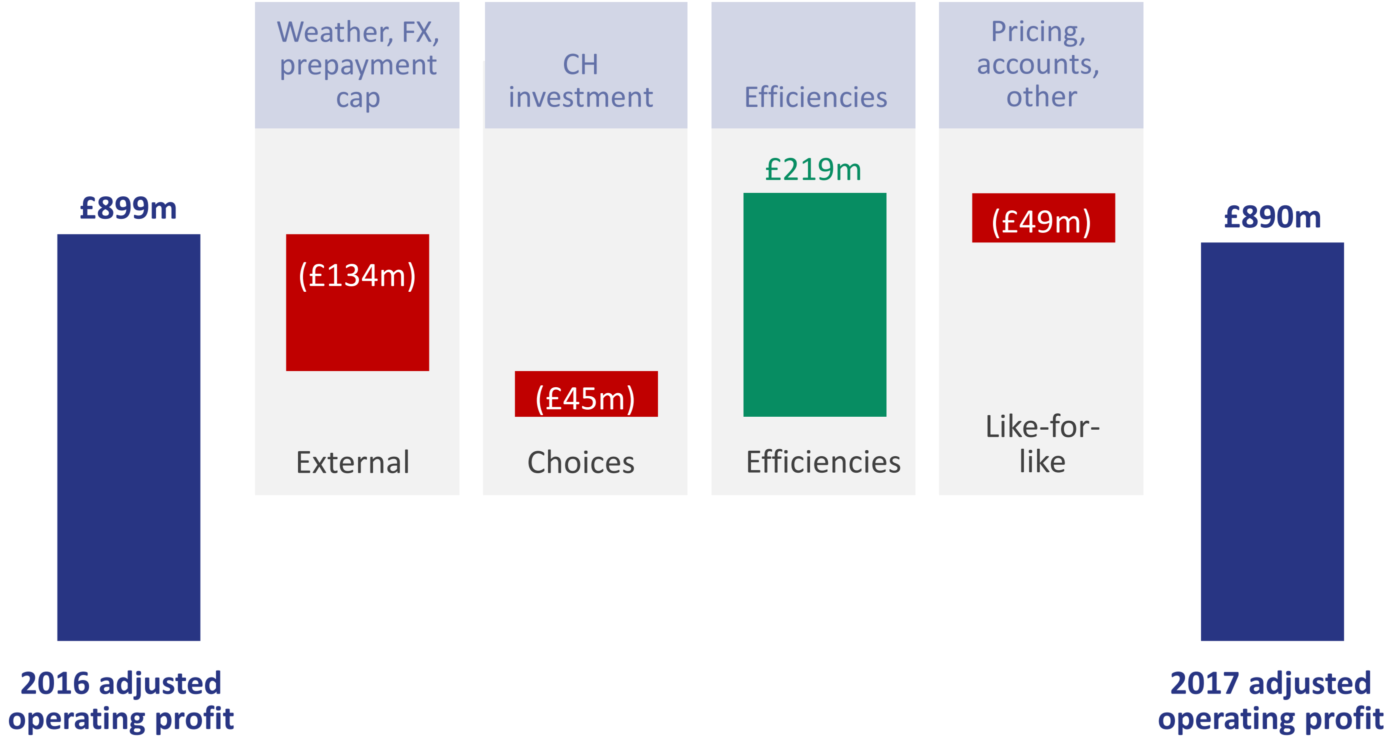
Consumer: adjusted operating profit drivers

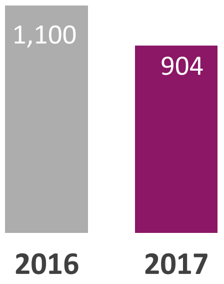


Centrica Business

ADJUSTED OPERATING PROFIT / (LOSS)			
Year ended 31 December (£m)	2016	**2017**	Δ
UK Business	50	**4**	(92%)
North America Business	221	**71**	(68%)
Distributed Energy & Power (DE&P)	(26)	**(53)**	(104%)
Energy Marketing & Trading (EM&T)	161	**104**	(35%)
Central Power Generation	75	**35**	(53%)
Centrica Business	481	**161**	(67%)
ADJUSTED OPERATING CASH FLOW			
Centrica Business	885	**508**	(43%)

ADJUSTED OPERATING PROFIT			
North America Business ($m)	*291*	***87***	*(70%)*

Business gross margin
(£m)



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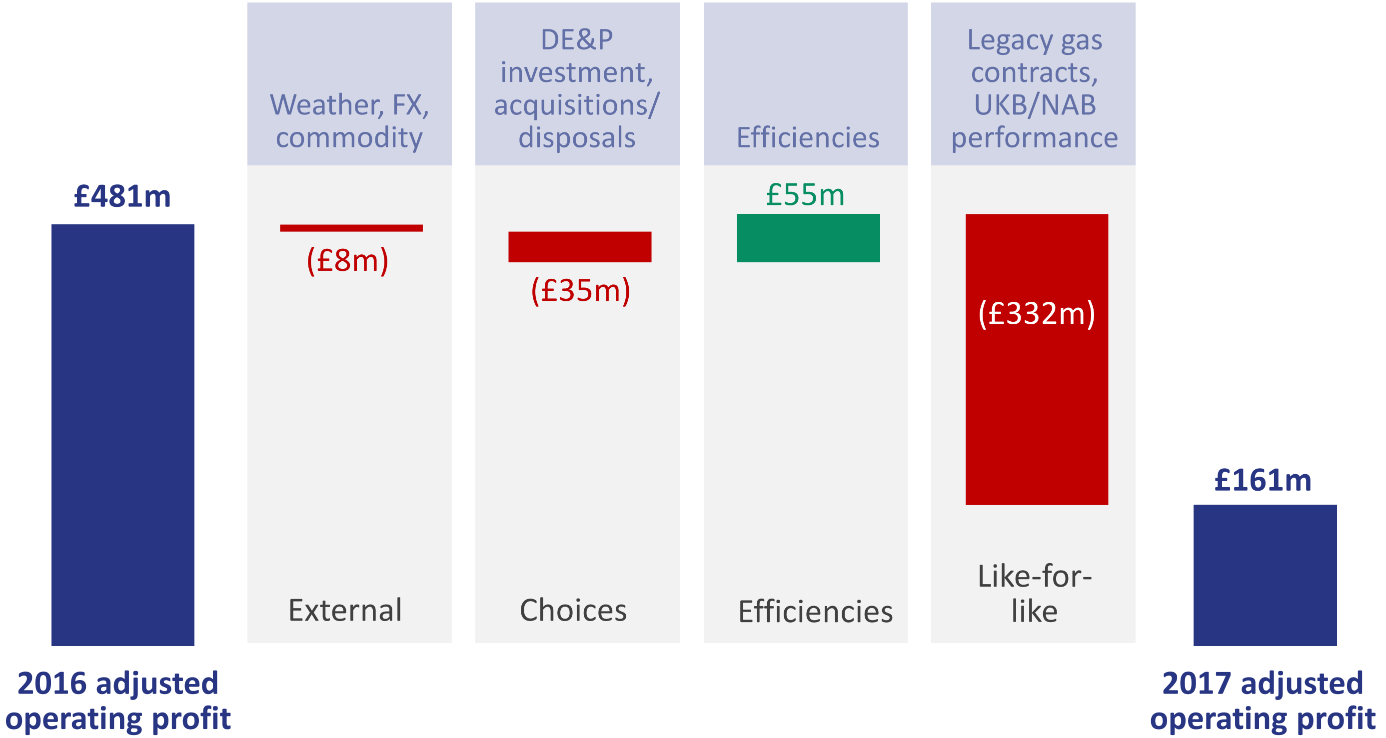
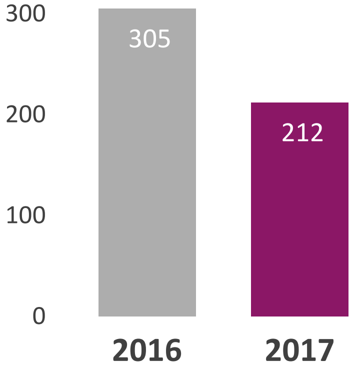
Business: adjusted operating profit drivers

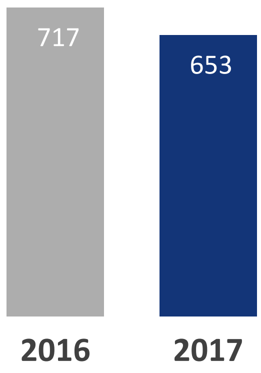


Business: UK energy supply

UK Business gross margin
(£m)

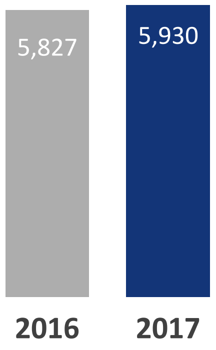


Customer account holdings
(‘000)



Business: North America energy supply

Gas

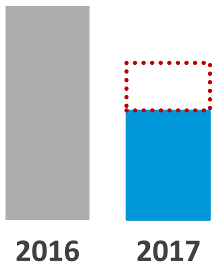


Total customer energy consumption
(mmth)

Unit gross margin
($c/th)

Power

Total customer energy consumption
(TWh)

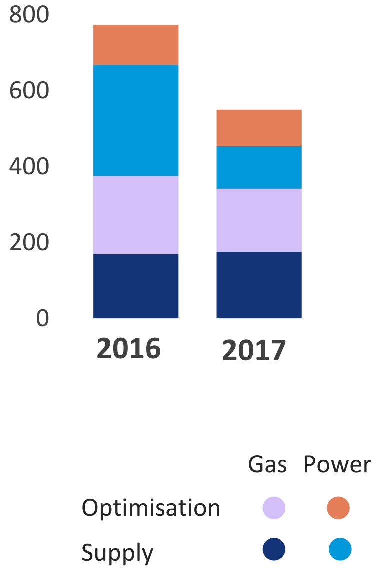


Unit gross margin
($/MWh)

Impact of accounting adjustment

Business: NA energy supply gross margin

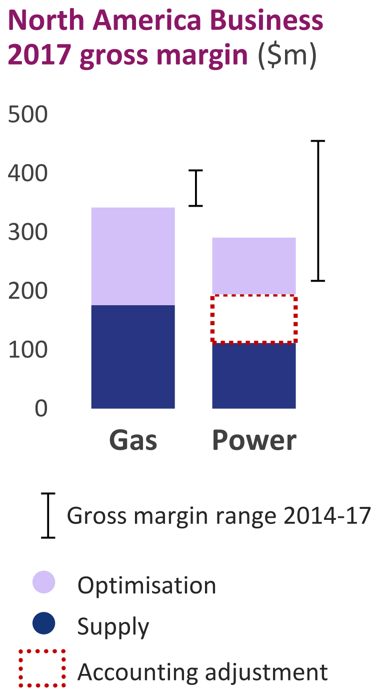
North America Business gross margin ($m)



Weak performance in H2

- Lower gas gross margin reflecting reduced optimisation opportunities
- Power supply margins significantly lower
    - Increased competitive intensity
    - Market structure and capacity charges
    - Volume reduction from energy efficiency measures
    - Under recovery of non-commodity costs
- Poor visibility and forecasting of gross margin components

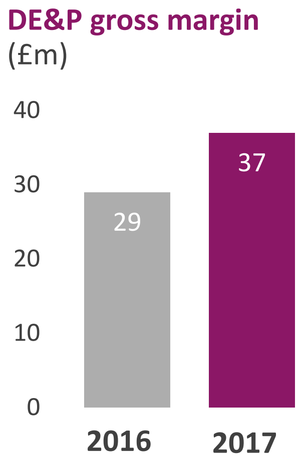
Business: NA energy supply response

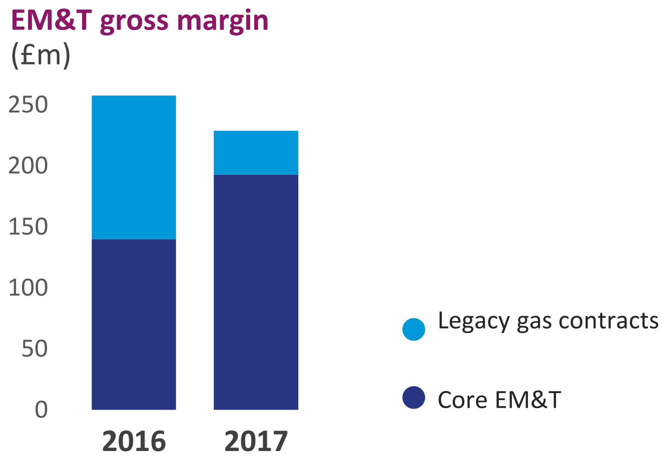


Response to improve profitability and reduce volatility of power business

- Thorough review and investigation
- New standard product offering
- Completion of system enhancement to provide granularity of gross margin drivers
- Improvements to processes and controls around load forecasting and risk management
- Improving capability

Business: DE&P and EM&T gross margin





Exploration & Production

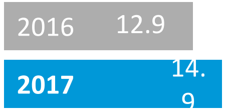
E&P			
Year ended 31 December (£m)	2016	**2017**	Δ
Gas and liquids realisations [1]	1,440	**1,424**	(1%)
Adjusted operating profit	187	**184**	(2%)
Adjusted operating cash flow	655	**448**	(32%)
Free cash flow	166	**376**	127%

Production volumes
Total (mmboe)

Average gas sales price
Europe (p/therm)

Average liquids sales price
Europe (£/boe)

Lifting & other production costs
Europe (£/boe)



E&P capital expenditure
Total (£m)

1. Realisations are total revenues from sales of gas and liquids including hedging and net of transportation costs.

The above figures are stated before exceptional items and certain re-measurements and include share of joint ventures and associates before interest and taxation. Reconciliations of adjusted operating profit and adjusted operating cash flow are provided in the Group Financial Review and other adjusted performance measures are explained on pages 76 to 78 of the Preliminary Results announcement.

Exploration & Production - CSL

CSL			
Year ended 31 December (£m)	2016	**2017**	Δ
Gross revenue	93	**148**	59%
Adjusted operating profit / (loss)	(52)	**17**	nm
Adjusted operating cash flow	(49)	**61**	nm

Production volumes

Total (mmboe)

2016	1.6
2017	**4.2**

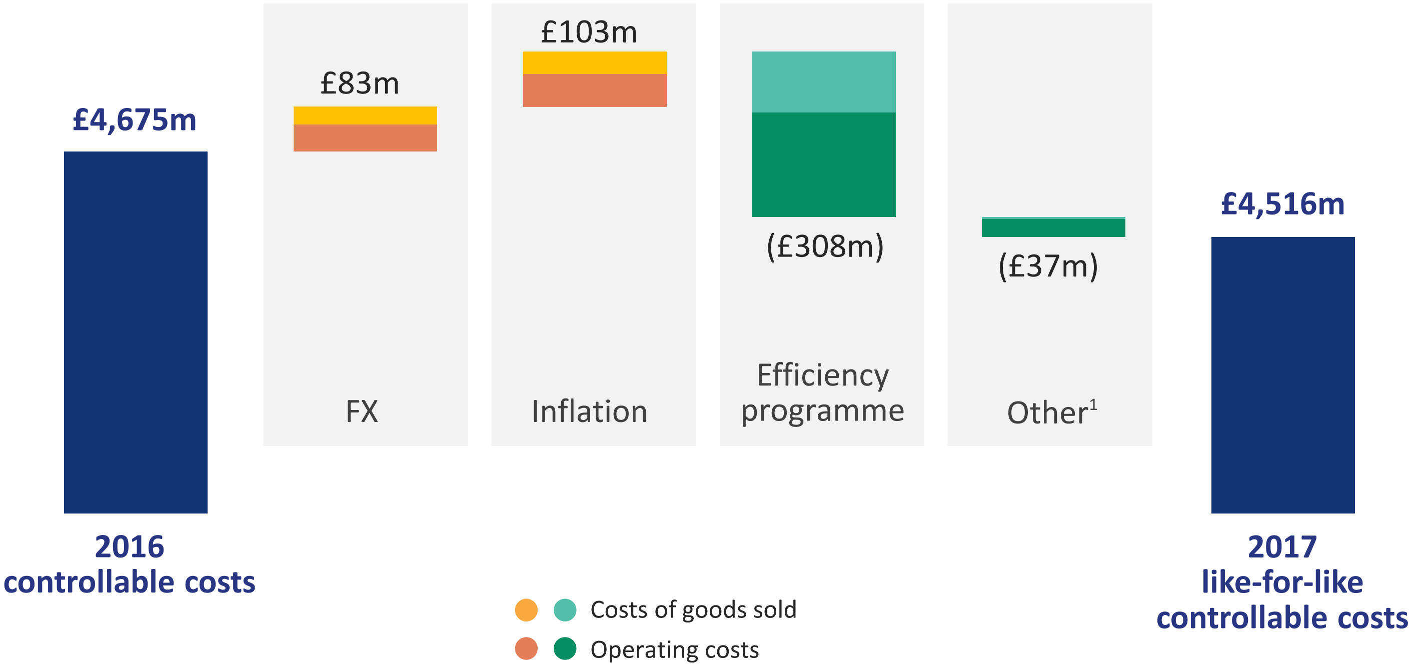
The above figures are stated before exceptional items and certain re-measurements and include share of joint ventures and associates before interest and taxation. Reconciliations of adjusted operating profit and adjusted operating cash flow are provided in the Group Financial Review in the Preliminary Results announcement.

Operating costs

Year ended 31 December (£m)	2016	2017	Δ
Reported operating costs before exceptional items	3,054	**2,848**	(7%)
FX impact	50	**-**	-
Adjustments	(494)	**(376)**	-
Adjusted operating costs	2,610	**2,472**	(5%)
Growth investment	(21)	**(73)**	-
Adjusted operating costs excl. growth investment	2,589	**2,399**	(7%)

The above figures are stated before exceptional items and certain re-measurements. Adjusted operating costs exclude depreciation and amortisation, smart metering and solar expenses, dry hole costs, profit on fixed asset disposals, business performance impairments and foreign exchange movements. 2016 adjustments have been restated by £23m to reflect portfolio change between years.

Efficiency programme delivery



1. Other includes costs that are related to portfolio change, costs that are non-repeating in nature or as a result of phasing between periods, and cost savings not part of the efficiency programme.

The above figures are stated before exceptional items and certain re-measurements. Total like-for-like controllable costs is adjusted operating costs, excluding growth investment in Connected Home and Distributed Energy & Power, and controllable cost of sales, excluding the impact of portfolio changes, foreign exchange movements and growth investments in Connected Home and Distributed Energy & Power.

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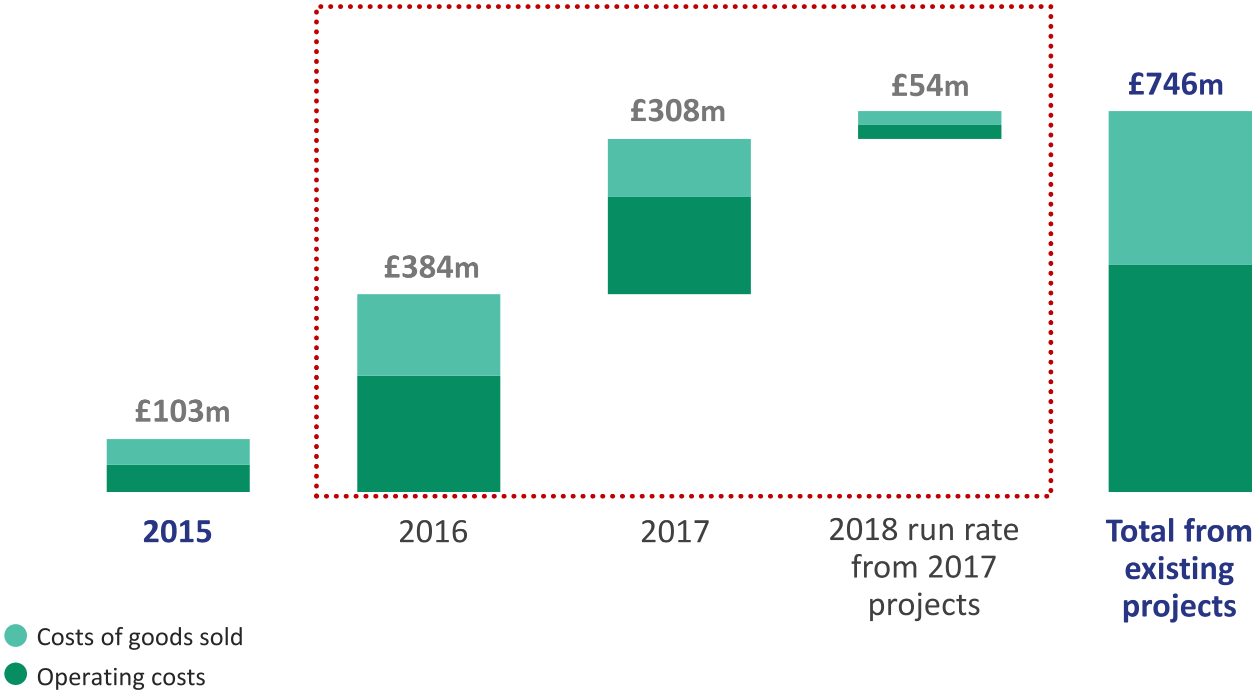
£750m p.a. cost efficiency programme delivered



Net investment

Year ended 31 December (£m)	2016	2017
Centrica Consumer	144	**166**
Centrica Business [1]	82	**233**
Exploration & Production	518	**439**
Other [2]	98	**105**
Capital expenditure (including small acquisitions)	842	**943**
Cash acquired through Spirit Energy transaction	-	**(78)**
Material acquisitions [3]	322	**-**
Net disposals [4]	(125)	**(819)**
Group net investment	1,039	**46**

1. Includes acquisition of Restore for £59m.
2. Other includes CSL and Corporate Functions.
3. Material acquisitions in 2016 are ENER-G Cogen and NEAS energy, net of cash acquired.
4. Net disposals in 2016 include the 50% interest in the GLID windfarm and non-core E&P disposals. Net disposals in 2017 include the 50% interest in the Lincs windfarm, the Langage and Humber CCGTs and the Canada and Trinidad and Tobago E&P assets.

See pages 76 to 78 in the Preliminary Results announcement for an explanation of the use of adjusted performance measures.

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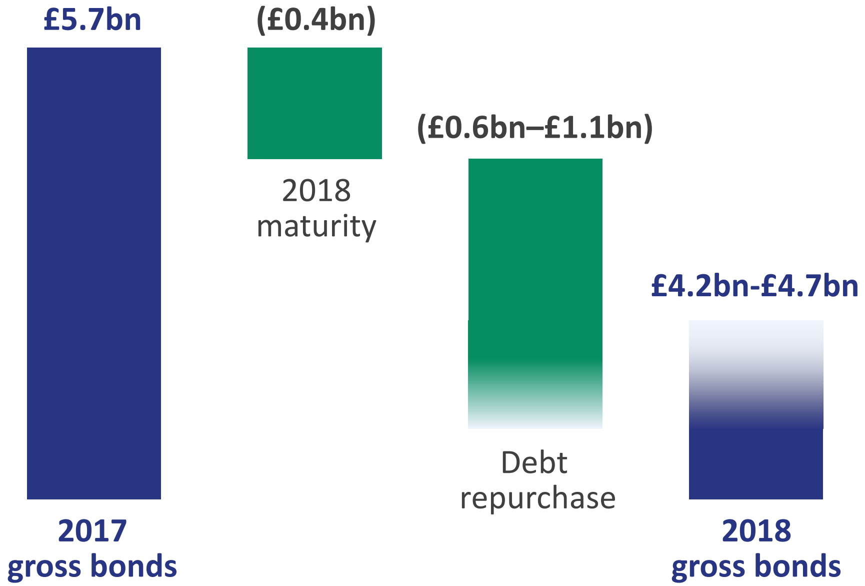
Cash flow

Year ended 31 December (£m)	2016	2017
EBITDA	2,365	**2,142**
Tax	(206)	**(102)**
Dividends received	117	**58**
Working capital & other [1]	410	**(29)**
Adjusted operating cash flow	2,686	**2,069**
Net investment	(1,039)	**(46)**
Interest	(113)	**(296)**
Dividends	(532)	**(463)**
Other [2]	(383)	**(325)**
Equity placing	700	**-**
Adjusted net cash inflow	1,319	**939**

1. Other includes re-measurement of energy contracts, profit on disposal of businesses, employee share scheme costs, movement on provisions and defined benefit pension service cost and normal contributions.
2. Other includes payments relating to the termination of the Group's onerous Rijnmond gas-fired power station tolling contract in 2016, other onerous contract provision payments, restructuring and pension deficit payments.

A reconciliation of adjusted operating cash flow is provided in the Group Financial Review in the Preliminary Results announcement.

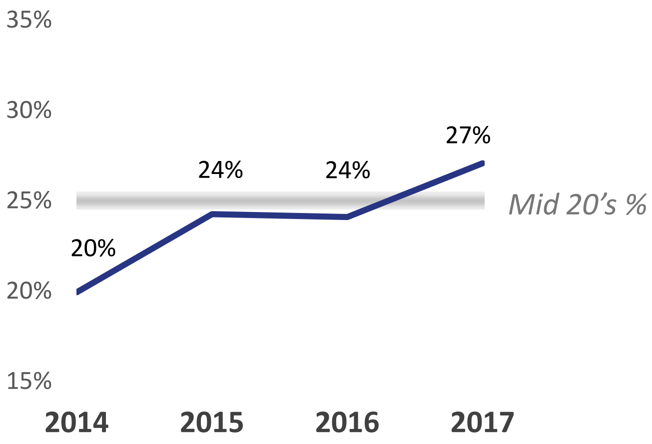
Debt repurchase programme



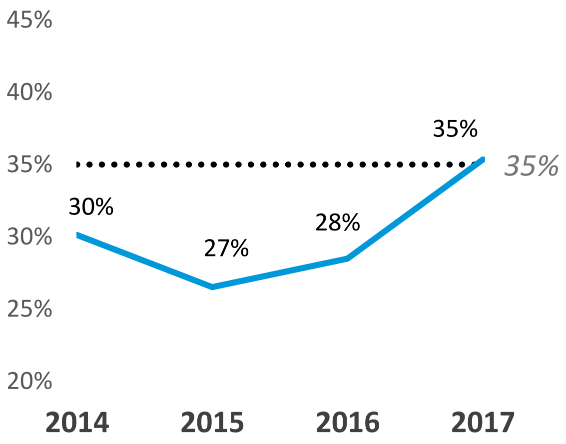
- Offers to repurchase £0.6bn-£1bn of outstanding gross debt
- Forecast gross debt reduction of £1.0bn-£1.5bn in 2018
- One off exceptional interest charge and cash outflow of £80m-£140m
- Interest savings of £25m-£35m per annum over first 4 years
- Expected total lifetime savings of £250m-£400m

Credit rating metrics

Moody's retained cash flow/debt
Current rating: Baa1 (Stable Outlook)



S&P funds from operations/debt
Current rating: BBB+ (Negative Outlook)



2017 credit rating metric ratios are company estimates yet to be confirmed by credit rating agencies.

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Iain Conn

Group Chief Executive

Important questions we will address today

- **Strategy:** Are the components of the strategy right and how do they reinforce each other?
- **Cost efficiency:** Potential to offset gross margin pressure and underpin financial confidence?
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- **M&A:** Attitude to acquisitions and disposals?
- **Financial framework and priorities for 2018-20:** Outlook for cash flow and the dividend?

Centrica's purpose

"To provide energy and services to satisfy the changing needs of our customers"

Fundamental trends in energy and services

- Decentralisation of the energy system
- Increased choice and power shifting to the customer
- Advancements in digital and technology

Centrica's strategy

- Energy and services company
- Deliver for the changing needs of our customers
- Delivering long-term shareholder value through returns and growth
- Trusted corporate citizen
- Employer of choice
- '21st Century energy and services company'

Centrica's simplified portfolio

	Consumer	Business	E&P
	• UK Home • Ireland • NA Home • Connected Home	• UK Business • NA Business • DE&P • EM&T • CPG	• Spirit Energy • CSL
2017 gross revenue	**£12.1bn**	**£15.5bn**	**£1.7bn**
2017 gross margin	**£2,781m**	**£904m**	**£357m**

Consumer and Business divisions

- Customer needs are global, and seeking more than just energy
- New capabilities built, helped by targeted acquisitions
- Centrica more scalable and replicable enabling synergies and efficiency
- Large market opportunity in growth areas
  - Attractive growth rates
  - High unit gross margins
- Technology increasingly important
  - Propositions integrated into technology platforms
  - Importance of digital capability and innovation

Consumer strategic framework

Energy supply	In-home servicing	Peace of mind	Home energy management	Home automation
• Gas supply • Electricity supply	• Cover products (protection plans, warranties) • On demand repair and maintenance • Installation (heating & aircon)	• Home insurance • Home security and monitoring • Remote diagnostics	• Energy insight • Energy efficiency • Energy optimisation • Energy solutions	• Home control • Appliances control

Energy supply

Services

Business strategic framework

Energy Supply	Wholesale Energy	Energy Insight	Energy Optimisation	Energy Solutions
• Gas supply • Electricity supply	• Trading partner • Energy commodities & risk products • Central Power Generation	• Energy resource management & monitoring • Operational insights from energy data • Preventative maintenance	• Asset optimisation • Aggregation and optimisation of distributed energy resources (‘VPP’) • Access to energy, capacity & flexibility markets	• Multi-technology solutions • Design, install, maintain & service • Business services

Energy supply & wholesale

Services

First phase of strategic repositioning complete

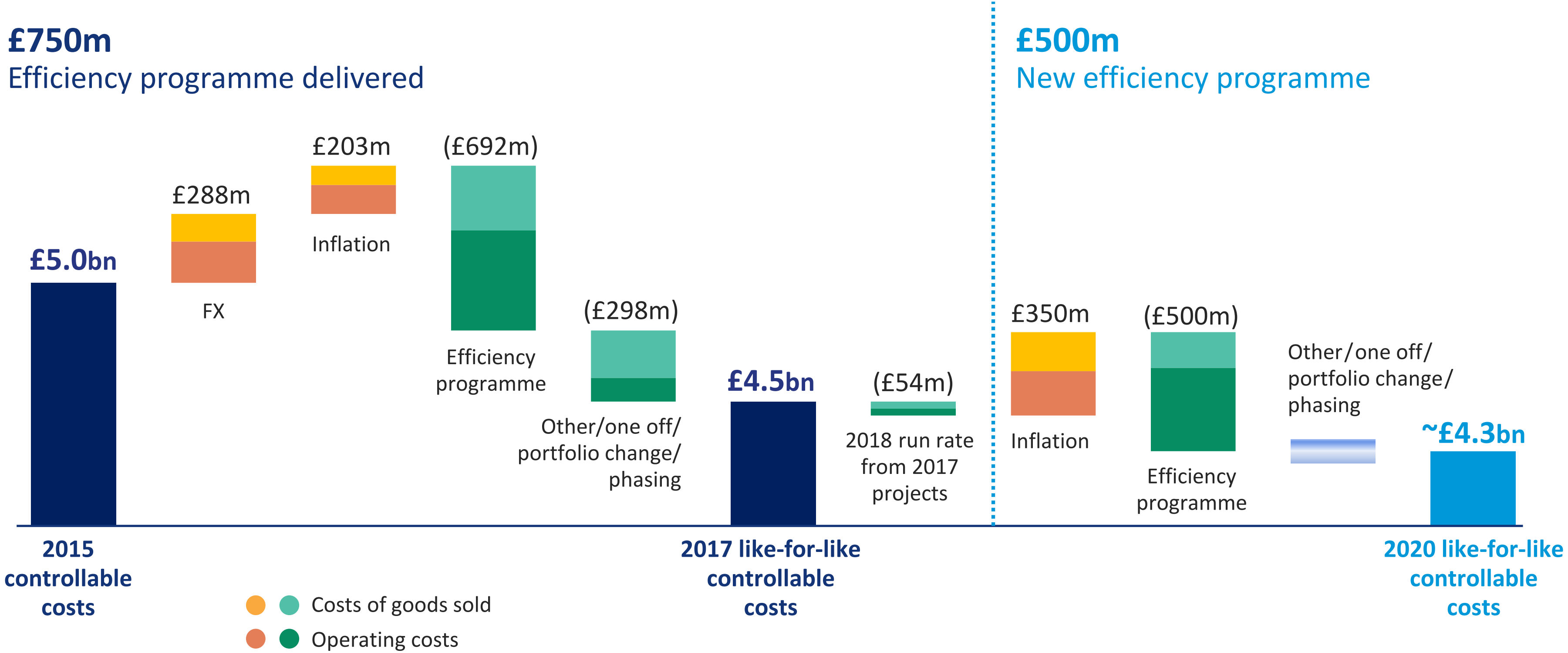
- Reduced scale in E&P and Central Power Generation in line with strategy
  - >£900m of divestments
  - E&P capex down by ~£300m p.a.; Spirit Energy JV established
  - Rough a production asset
- Enhanced capabilities, technology, propositions in customer-facing businesses
  - Focus on customer segmentation, propositions, service and cost-to-serve
  - Investing in technology and capability
  - ~£700m invested incrementally in 2016 and 2017
  - Acquisitions of ENER-G Cogen, Neas Energy, REstore
- £750m p.a. cost efficiency programme delivered three years early
- Net debt in targeted end-2017 £2.5bn-£3bn range

Next phase - priorities for performance delivery

- Demonstrating customer-led gross margin growth
- Driving cost efficiency towards being ‘most efficient price-setter’
- Improving organisational effectiveness
- Securing the capabilities we need for 2020 and beyond

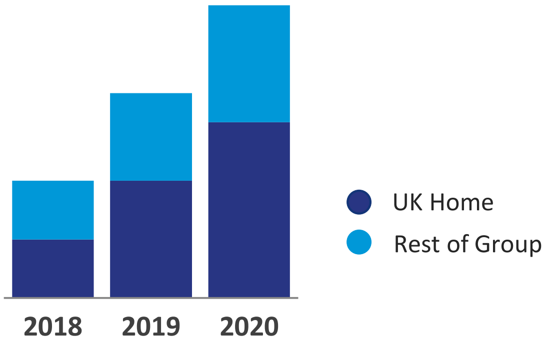
. . . while ensuring continued focus on safety, compliance, conduct and operational excellence

£1.25bn per annum of cost efficiency 2015-20



New cost efficiency programme 2018-20

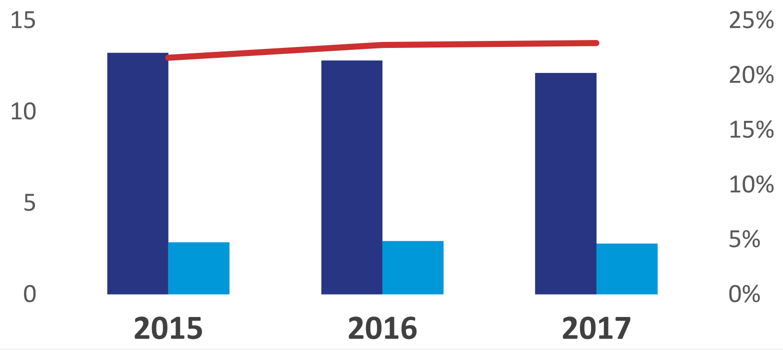
Split of efficiencies



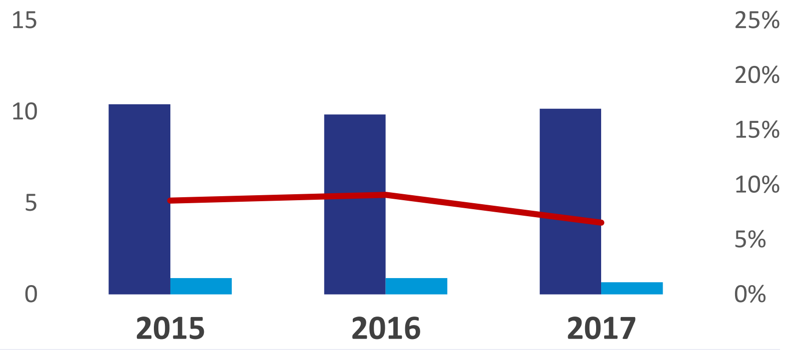
- £500m p.a. additional cost efficiencies by 2020
  - 65% of savings in opex; 35% in COGs
  - £300m p.a. in UK Home; energy supply cost per dual fuel customer improved by ~£20
  - Cost to achieve of £300m-£400m
  - 4,000 like-for-like headcount reduction
- Areas of cost focus
  - Digitisation and self serve in customer journeys
  - Field operations supply chain
  - Improved field operations effectiveness through use of technology
  - Transformation of Group functions
  - IT system improvements
  - Procurement and supply chain efficiencies

Customer-led gross margin growth

Consumer



Business[1]



	Consumer 2015	Consumer 2016	Consumer 2017	Business 2015	Business 2016	Business 2017
Closing accounts	27.4m	26.7m	25.3m	1.4m	1.4m	1.3m
Gross margin /account	£104	£109	£110	£638	£663	£523

Revenue (£bn) Gross Margin (£bn) Gross Margin (%)

1. Includes UK Business, NA Business and DE&P. EM&T and CPG excluded due to revenue and gross margin not directly attributable to individual customer relationships.

Consumer accounts and gross margin quality

Customer accounts
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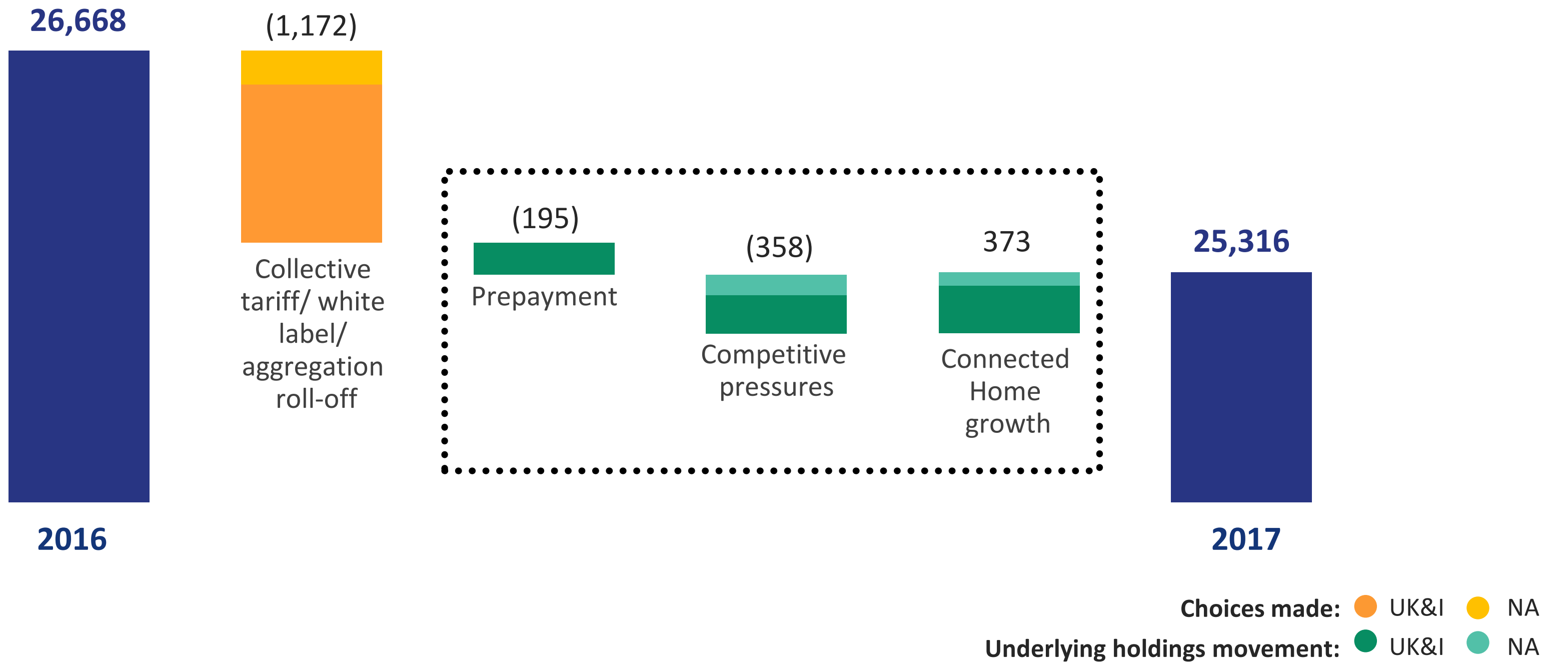
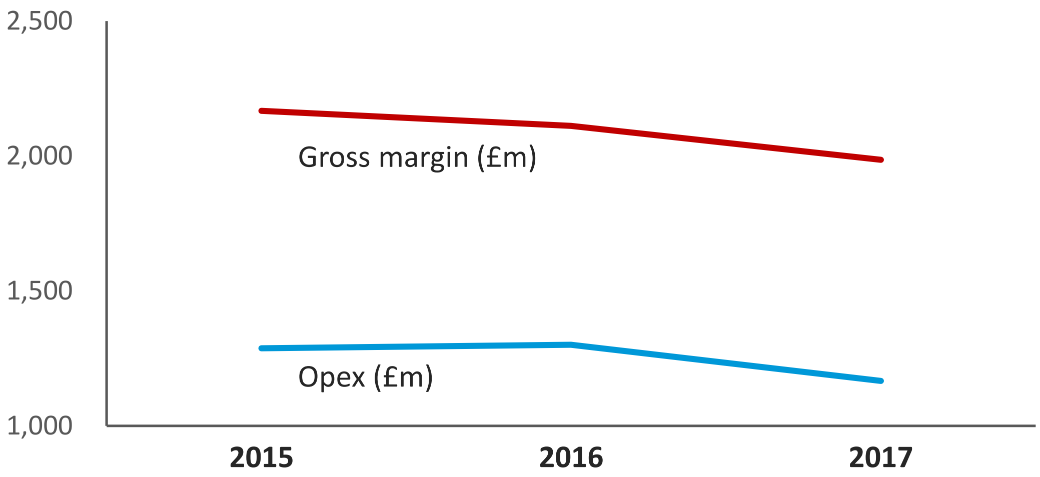


Gross margin and cost efficiency – UK Home



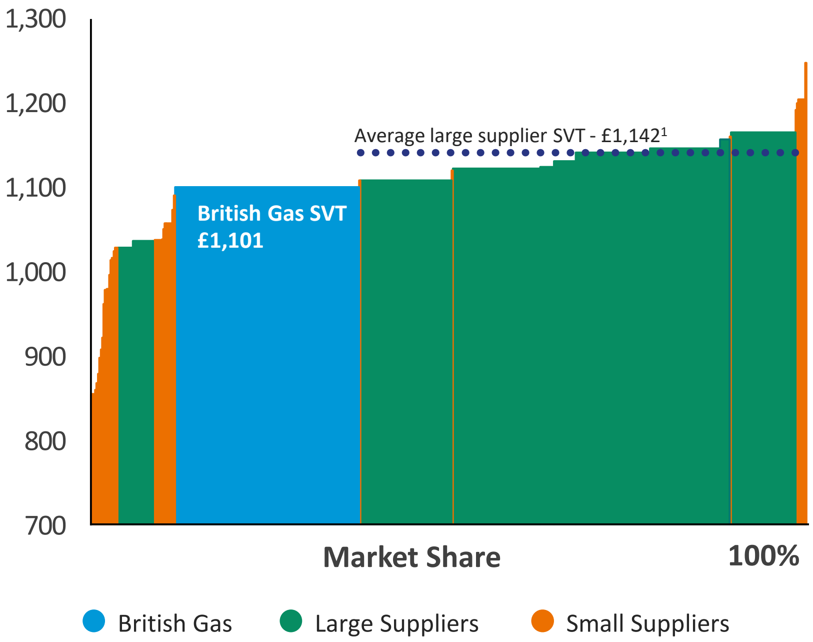
	2015	2016	2017
Adjusted operating profit	£880m	£810m	£819m
Closing accounts	22.4m	21.7m	20.3m
EBIT/ average account	£39	£37	£39

UK energy supply - default tariff cap

- UK Government draft bill published October 2017
- Unintended consequences - cap likely to impact competition, choice and average prices
- Centrica ‘14 point plan’ to improve UK energy supply market
- Centrica’s unilateral actions being implemented by 31 March 2018 including:
    - Lower exposure to any cap by withdrawing SVT and moving customers to other offers
    - Introduce new default tariff
    - New attractive fixed term propositions, including fixed price, online only, bundles
    - British Gas Rewards improving customer loyalty
    - Drive cost efficiency to ensure competitive offer even in cap scenario
- Continue to engage with Government and Regulator on wider market reform

Exposure to UK default tariff cap risk

Standard tariff price and market share (£)

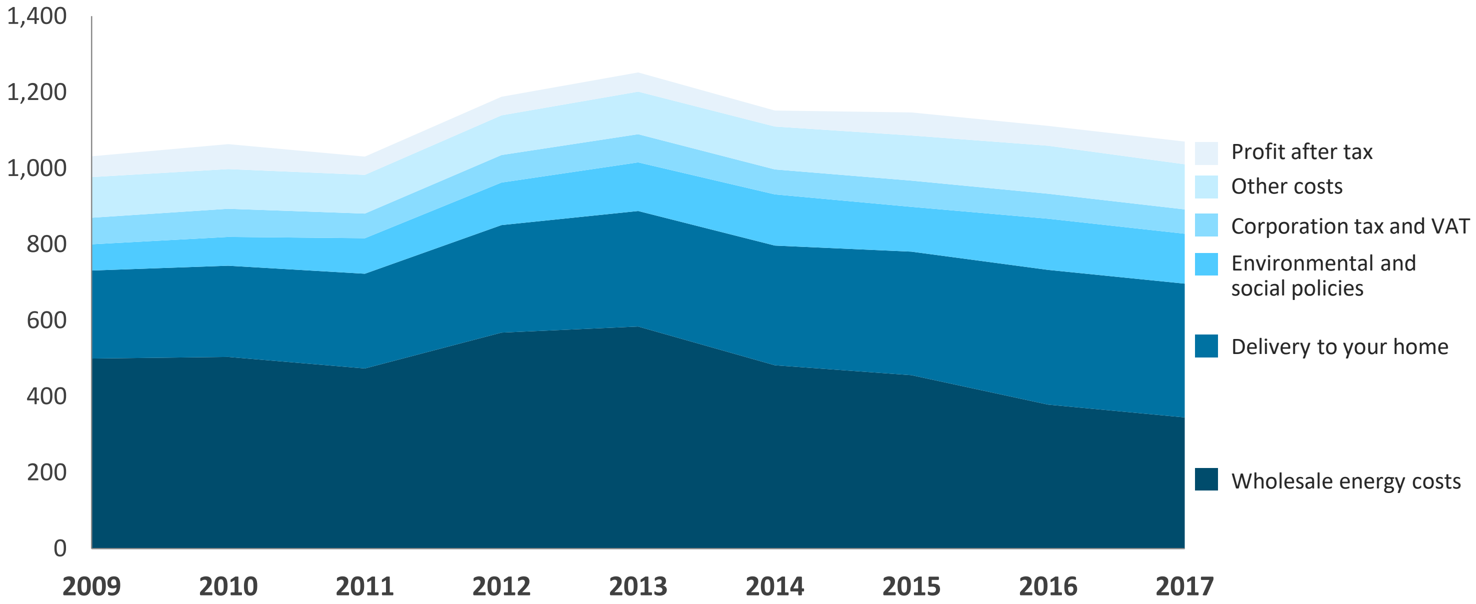


- 4.3m customers on SVT at end of 2017
- Expecting 3m customers on SVT by end 2018
- Cost efficiency delivery
  - SVT cheaper than 85% of standard dual fuel tariffs in the market
  - SVT £41 below large supplier SVT average
- New efficiency programme to deliver £20 cost per customer improvement by 2020
- EBIT margin compression possible in 2019 before full benefit of cost efficiency

1. Average of other largest 6 suppliers for customers on paper billing inclusive of any applicable dual fuel discount

British Gas household bills and profits

Breakdown of average British Gas combined gas and electricity bill (£/customer)



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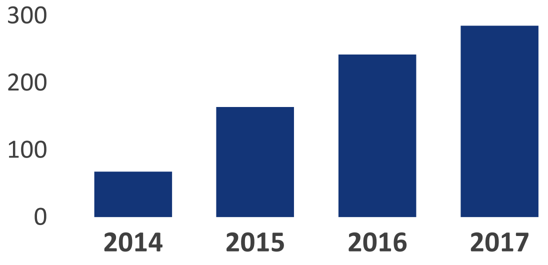
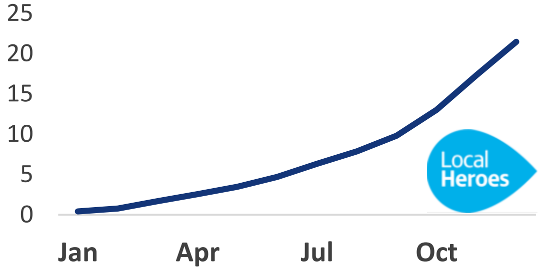
Consumer growth indicators

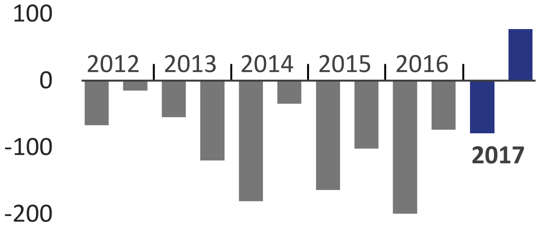
North America Home protection plans
('000)



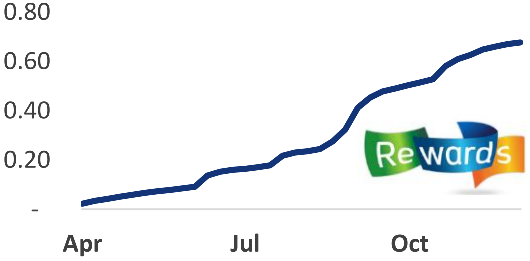
Local Heroes cumulative jobs completed
('000)



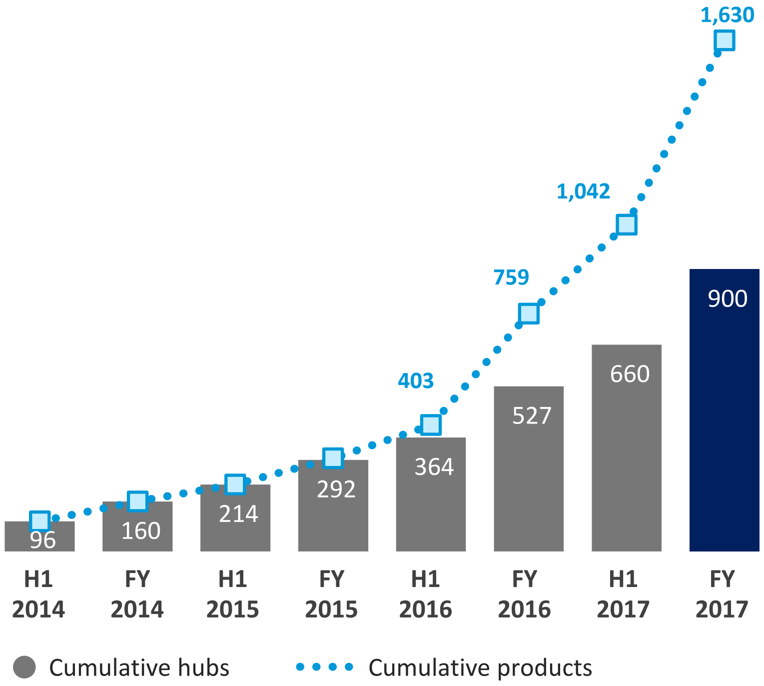
UK Home services account growth ('000, H1/H2)



Total British Gas Rewards sign ups
(m)



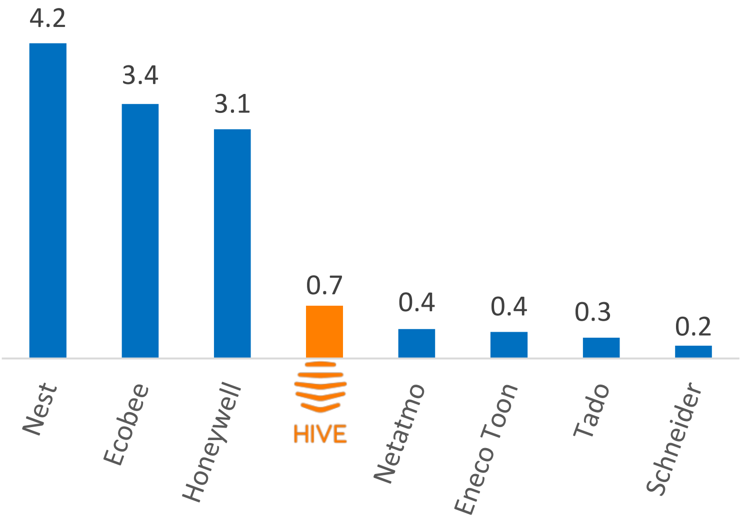
Connected Home growth



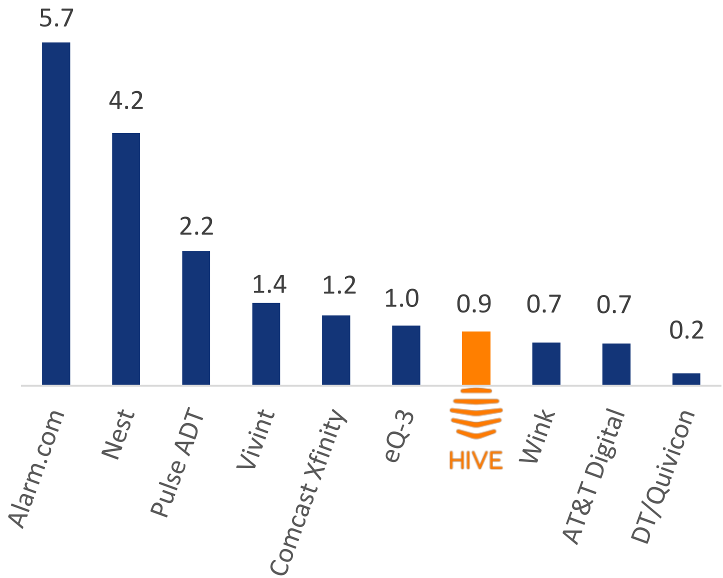
- Momentum building
- 71% increase in cumulative hubs installed
- 27% increase in revenue; gross margin remaining at ~20%
- First international partnership in Italy
- 2017 the peak year for net cash outflow
- 2018 targets:
  - Revenue to double
  - 500,000 new customers
  - >1m product sales
- Targeting £1bn of revenue by 2022

Connected Home competitive position

Cumulative smart thermostat sales [1]
(m customers / hubs)



Ecosystem deployment [2]
(m customers / hubs)



Source: Centrica estimates

1. Hive volumes of 0.7m represent cumulative thermostat sales 2. Hive volumes of 0.9m represent cumulative hubs installed.

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North America Business

- Customer needs similar in North America and UK
- Material and established business serving 240k customers
- Second largest retail energy supplier
- Plays to Centrica strengths – large customer book, energy risk management, value-add services
- Insight, optimisation and solutions increasingly important for customers
- Centrica Business strategic framework facilitates full suite of product offers
- Energy supply margins require skilled management of volatility
- Business materially strengthened by Hess Energy Marketing acquisition in 2013

North America Business performance

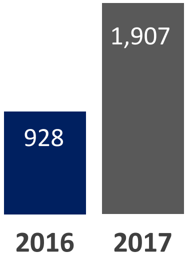
NAB return on average capital employed

	2015	2016	2017
ROACE	10%	10%	3%

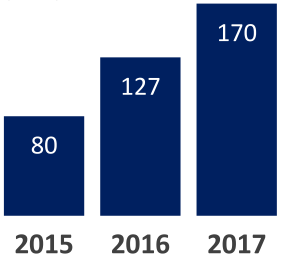
- Weak H2 2017 performance predominantly in power supply book
- Market and internal changes occurring simultaneously
- Thorough investigation
- Response designed to reduce power book volatility
- Average returns in 2015-16 above Group cost of capital
- Need to demonstrate more consistent performance

Distributed Energy & Power growth

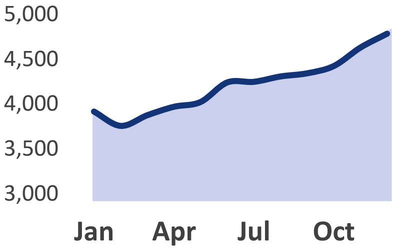
Capacity under management
(MW)



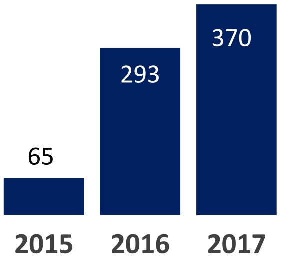
Underlying gross revenue[1]
(£m)



Active customer sites



Order book revenue[1]
(£m)



- 34% increase in underlying gross revenue
- 26% increase in order book revenue; accelerated growth rates in Q4
- REstore adds enhanced Demand Response optimisation capability
- Increased sales capacity and new propositions under Centrica Business Solutions brand
- Targeting revenue growth of at least 50% in 2018
- Targeting £1bn of revenue by 2022

1. Underlying gross revenue and underlying secured revenue exclude the impact of the disposal of our non-core building energy management systems and solar businesses.

Exploration & Production

- Spirit Energy creates stronger and more sustainable self-financing E&P business
- Further consolidation targeted
  - Centrica would dilute
  - Prepared to reduce shareholding to <50%
- Spirit Energy creates optionality for both shareholders
- Centrica Storage now a separate E&P business unit
  - Synergies with Spirit Energy
  - Explore commercial optionality of Easington terminal

Capability

- Enhanced business capabilities developed since 2015
  - Customer service
  - Customer segmentation and propositions
  - Digital platforms (Connected Home, Centrica Business Solutions)
  - Intellectual property and technology (Centrica Innovations)
  - Device development and integration (Hive)
  - Packaged solutions (ENER-G Cogen)
  - Energy insight (Panoramic Power, data analytics)
  - Virtual Power Plant (Neas)
  - Demand Response (REstore)
- Key talent accessed both organically and through acquisitions
- Next generation of leaders and improved succession planning

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Acquisitions and disposals

- No major growth M&A
  - Uncertainty of UK default tariff cap
  - Desire to maintain balance sheet strength
- Bolt-on acquisitions to build capability within limits of financial framework
- Spirit Energy – potential for further consolidation, partnership
- Nuclear investment – intend to pursue sale by 2020
  - Partner alignment
  - UK Government

Strategy - conclusions

- Phase 1 of repositioning Centrica completed and Group strengthened
- Focus remains on the core of ‘energy supply and services’
  - Strong positions in core energy supply and in-home servicing
  - New capabilities and sources of gross margin developed to reinforce the core
- Increased near-term uncertainty and circumstances more challenging
  - UK default price cap more likely but form and level unknown
  - Competitive intensity continues, particularly in commodity energy supply
- 2018-20 focus on what we can control - performance delivery and financial discipline
  - Customer-led gross margin growth
  - Increased cost efficiency target
  - Maintain capital discipline and balance sheet strength
  - No major growth M&A

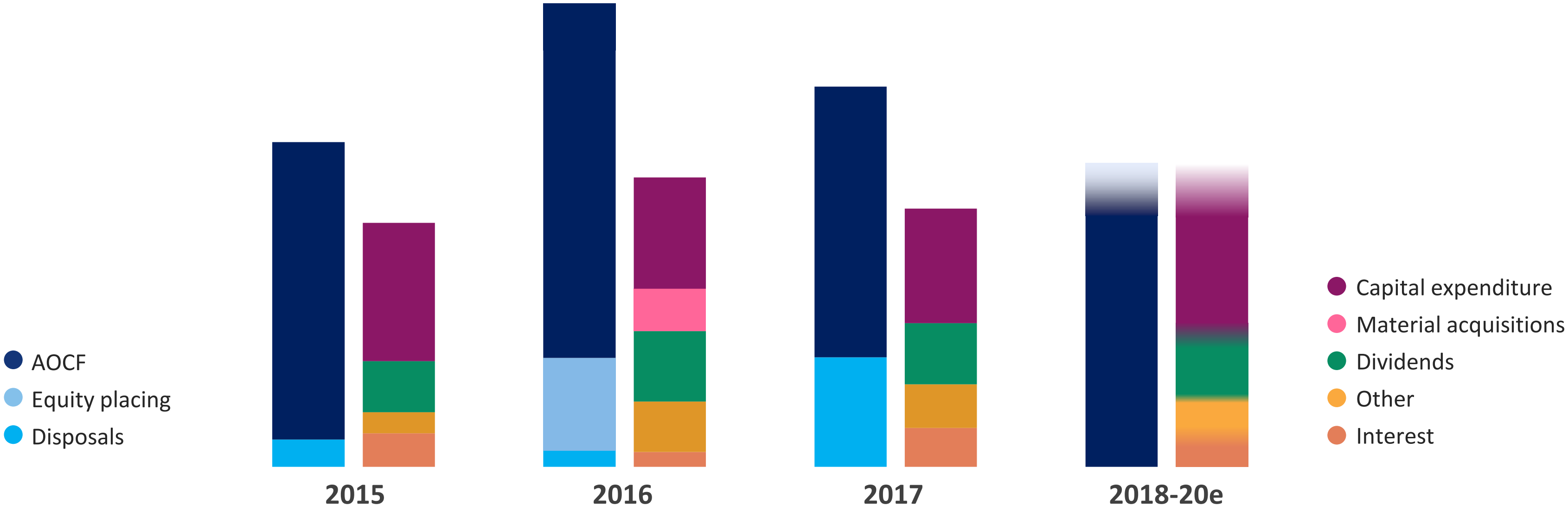
Group financial framework

Targets	Metric
Adjusted operating cash flow	• 3-5% underlying growth p.a. on average
Dividend	• Progressive in line with adjusted operating cash flow
Controllable costs	• Operating cost growth < inflation
Capital re-investment	• Investment <70% of adjusted operating cash flow • Limited to £1.2bn p.a. 2018-20
Credit rating	• Strong investment grade (Baa1/BBB+ or above)
ROACE	• 10-12%

2018-2020 guidance

- Targeting AOCF of £2.1bn-£2.3bn p.a. on average; possible risk in 2019 from tariff cap
- Capital re-investment of no more than £1.2bn p.a. including 100% of Spirit Energy
- Expect to maintain current dividend subject to
  - Generating sufficient AOCF within target range
  - Net debt within £2.25bn-£3.25bn range
- Progressive dividend only restored when cash flow growth capability demonstrated

Sources and uses of cash



Closing net debt	£4.7bn	£3.5bn	£2.6bn	£2.25bn-£3.25bn

Assumes commodity price environment as at 21 February 2018.

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2018 Group targets

- Adjusted operating cash flow of £2.1bn-£2.3bn
- Capital reinvestment <£1.1bn; Spirit Energy capex ~£500m
- Expect flat 2018 full year dividend per share of 12.0p
- £200m of efficiency savings in 2018
- Like-for-like headcount reduction of around 1,000 in 2018
- Net debt in a £2.5bn-£3.0bn range at end 2018

Summary

- H2 financial results weak, particularly in Business energy supply
- Extremely poor 2017 shareholder experience even though 2017 targets delivered
- Addressing important questions
- Phase 1 of Centrica’s strategic repositioning completed
  - Encouraging progress as we focus on the customer and reinforce the core
  - Asset portfolio materially repositioned
  - £750m p.a. cost efficiency programme delivered; net debt in end-2017 target range
- 2018-20 focus on performance delivery and financial discipline
  - Demonstrating customer-led gross margin growth
  - Driving cost efficiency with additional £500m p.a. target
  - Delivering AOCF of £2.1bn-£2.3bn p.a. on average and net debt in £2.25bn-£3.25bn range
- Expect to maintain current dividend subject to delivering targeted AOCF and net debt

Q&A




Iain Conn
Group Chief Executive

Jeff Bell
Group Chief Financial Officer

Mark Hodges
Chief Executive, Centrica Consumer

Mark Hanafin
Chief Executive, Centrica Business

Adjusted operating profit

Year ended 31 December (£m)	2016	2017	Δ
UK Home	810	**819**	1%
Ireland	46	**47**	2%
North America Home	93	**119**	28%
Connected Home	(50)	**(95)**	(90%)
Total Centrica Consumer	899	**890**	(1%)
UK Business	50	**4**	(92%)
North America Business	221	**71**	(68%)
Distributed Energy & Power	(26)	**(53)**	(104%)
Energy Marketing & Trading	161	**104**	(35%)
Central Power Generation	75	**35**	(53%)
Total Centrica Business	481	**161**	(67%)
Exploration & Production	187	**184**	(2%)
Centrica Storage	(52)	**17**	nm
Total Centrica	1,515	**1,252**	(17%)

The above figures are stated before exceptional items and certain re-measurements and include share of joint ventures and associates before interest and taxation. A reconciliation of adjusted operating profit is provided in the Group Financial Review in the Preliminary Results announcement.

Adjusted operating cash flow

Year ended 31 December (£m)	2016	**2017**	Δ
UK Home	1,053	**928**	(12%)
Ireland	84	**62**	(26%)
North America Home	146	**154**	5%
Connected Home	(58)	**(121)**	(109%)
Total Centrica Consumer	1,225	**1,023**	(16%)
UK Business	418	**131**	(69%)
North America Business	285	**87**	(69%)
Distributed Energy & Power	(15)	**(30)**	(100%)
Energy Marketing & Trading	198	**262**	32%
Central Power Generation	(1)	**58**	nm
Total Centrica Business	885	**508**	(43%)
Exploration & Production	655	**448**	(32%)
Centrica Storage	(49)	**61**	nm
Other	(30)	**29**	nm
Total Centrica	2,686	**2,069**	(23%)

A reconciliation of adjusted operating cash flow is provided in the Group Financial Review in the Preliminary Results announcement.

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Disclaimer: Rules of thumb

The rules of thumb were provided in February 2018 based on the then current prevailing range of oil, gas and power prices. They are illustrative and are intended as directional only and exclude any potential impairment or impairment write-back. The actual impact of price changes in the exploration and production and power environments on Centrica's profit after tax will likely differ from the indicators and do not represent any forecast, target or expectation as to future results or performance.

These rules of thumb are directionally approximate and based upon Centrica's current portfolio. Please note that the relationship between oil, gas and power prices and results is not necessarily linear across a wide range of oil and gas prices and the rules of thumb indicators do not take account of the impact of forward hedging. Changes in margins, differentials, seasonal demand patterns, operational issues, tax rates and other factors including timing of acquisition and divestment activity indicated, also materially impact the profit after tax impact of a change in underlying commodity prices. In addition, profit after tax and cash flow impact may differ due the timing of tax payments. Furthermore, there are a number of other factors that could cause actual results or developments to differ materially from those implied by the application of these rules of thumb.

Rules of thumb: E&P and Nuclear

Please refer to disclaimer on slide 66 of this presentation before using this information.
The table shows Centrica's unhedged profit after tax (PAT) sensitivity to changes in commodity prices

		Movement	PAT impact
Gas	**UK**	5p/therm	~£35m
Oil	**UK**	$10/boe	~£30m
Baseload power	**UK**	£5/MWh	~£50m

Assumes all European gas (including Netherlands, Norway and Denmark) is sold in the UK.
Figures relate to Centrica's 69% economic interest in the Spirit Energy joint venture.
PAT impact assumes blended tax rates of European E&P – 70%, UK nuclear – 20%.