



Centrica plc Capital Markets Day

21 June 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.



Iain Conn

Group Chief Executive

Centrica management team



Iain Conn
Group Chief
Executive



Jeff Bell
Group Chief
Financial Officer



Mark Hodges
Chief Executive,
Centrica Consumer



Mark Hanafin
Chief Executive,
Centrica Business

Objectives for today

- Update on where and what Centrica is today
- Provide a deeper understanding of our Consumer and Business divisions, strategy and growth potential
- Demonstrate our capabilities and technology to underpin growth
- Evidence our ability to deliver long-term value through returns and growth

Agenda

- 09:00-11:15 **Presentation and Q&A**
- 11:15-11:40 **Coffee break**
- 11:40-13:20 **Breakout sessions**
- 13:20-14:00 **Lunch**
- 14:00-15:40 **Breakout sessions**
- 15:40-16:30 **Wrap up and Q&A**

Agenda

- 09:00-11:15 **Presentation and Q&A**
- 11:15-11:40 **Coffee break**
- 11:40-13:20 **Breakout sessions**
- Customer data in action
- 13:20-14:00 **Lunch**
- Offer Innovation
- 14:00-15:40 **Breakout sessions**
- Hive Connected Home
- 15:40-16:30 **Wrap up and Q&A**
- Energy Supply, Wholesale & Optimisation
 - Energy Insights & Solutions
 - Technology & Innovation

Agenda

- 09:00-11:15 **Presentation and Q&A**
- 11:15-11:40 **Coffee break**
- 11:40-13:20 **Breakout sessions**
- 13:20-14:00 **Lunch**
- 14:00-15:40 **Breakout sessions**
- 15:40-16:30 **Wrap up and Q&A**

Centrica's purpose

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



Fundamental trends in energy and services

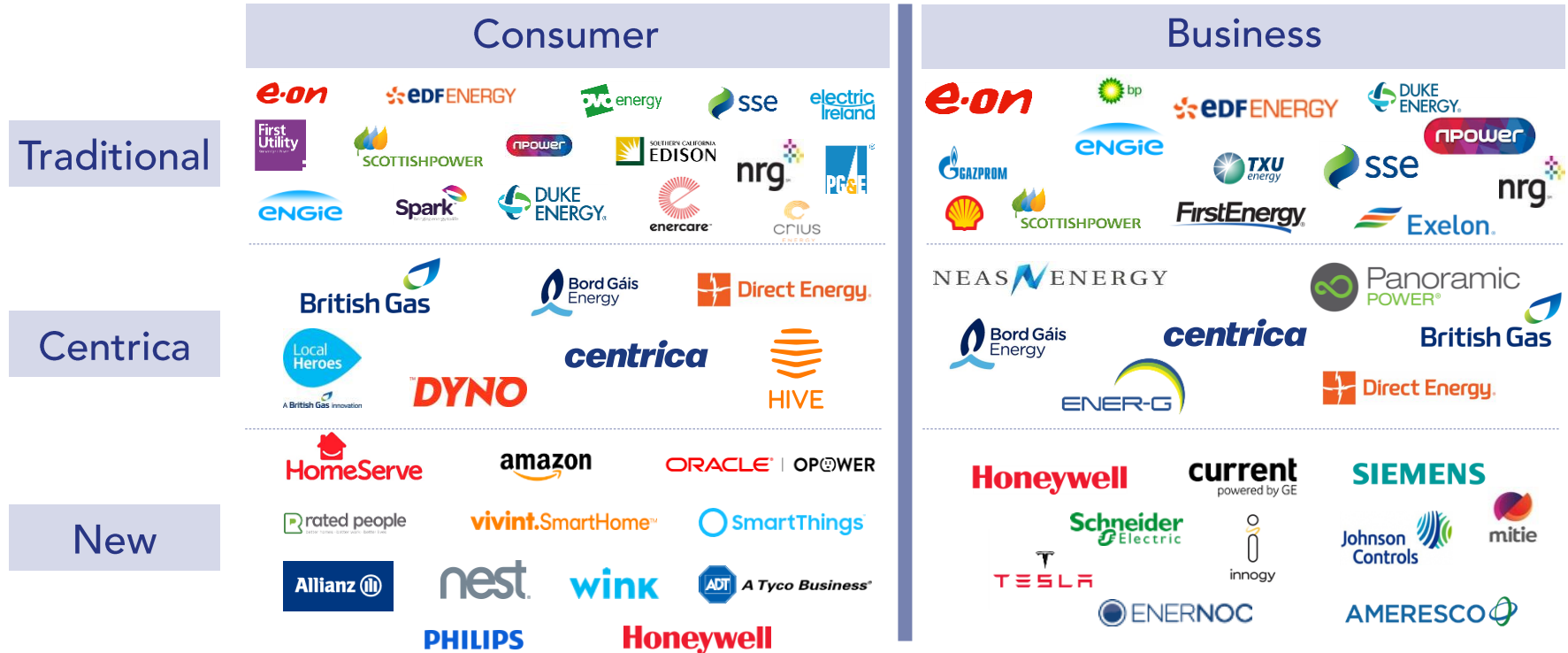
- Decentralisation of the energy system
- Increased choice and power shifting to the customer
- Advancements in digital and technology



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'

Competitive landscape



Centrica's strategic objectives to 2020

- Customer-led growth
 - Energy Supply, Services, Connected Home, DE&P and EM&T
- Smaller and more focused E&P business
- £1.5bn resource re-allocation from E&P and Central Power Generation to customer-facing businesses 2015-20
- £750m p.a. efficiency programme delivery by 2020
- Strong financial discipline within a clear framework
- Adjusted operating cash flow growth of 3-5% per annum on average 2015-20

Group progress

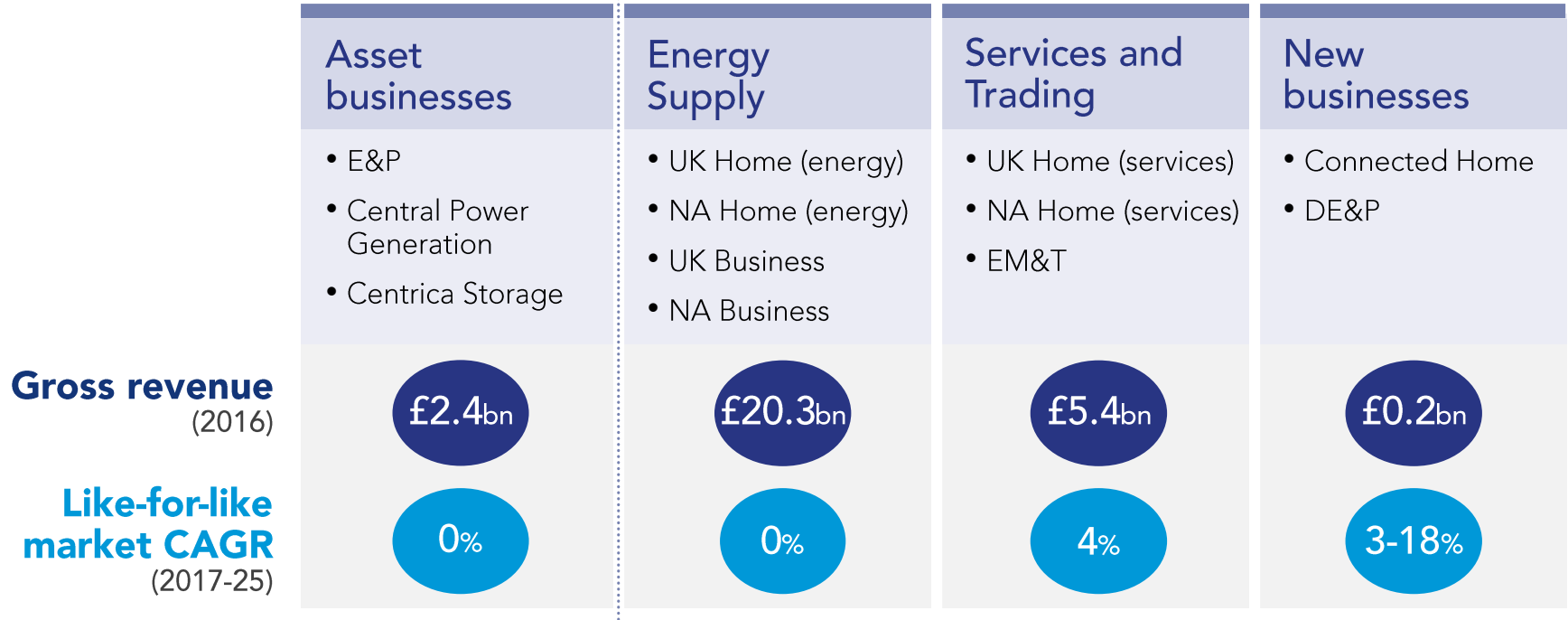
- Executing on all aspects of our strategy
- First phase of portfolio transformation will be complete by end 2017
 - Asset businesses repositioned
 - Centrica Consumer and Centrica Business established
- ~£450m capital and revenue investment in growth areas in 2016
- 14% underlying AOCF growth in 2016
- £384m efficiency savings in 2016; further £250m targeted in 2017
- On track to deliver against 2017 targets
- Balance sheet materially strengthened; targeting £2.5-3.0bn net debt by end 2017
- Targeting balanced sources and uses of cash flow in 2018

Centrica portfolio and business units

Gross revenue
(2016)



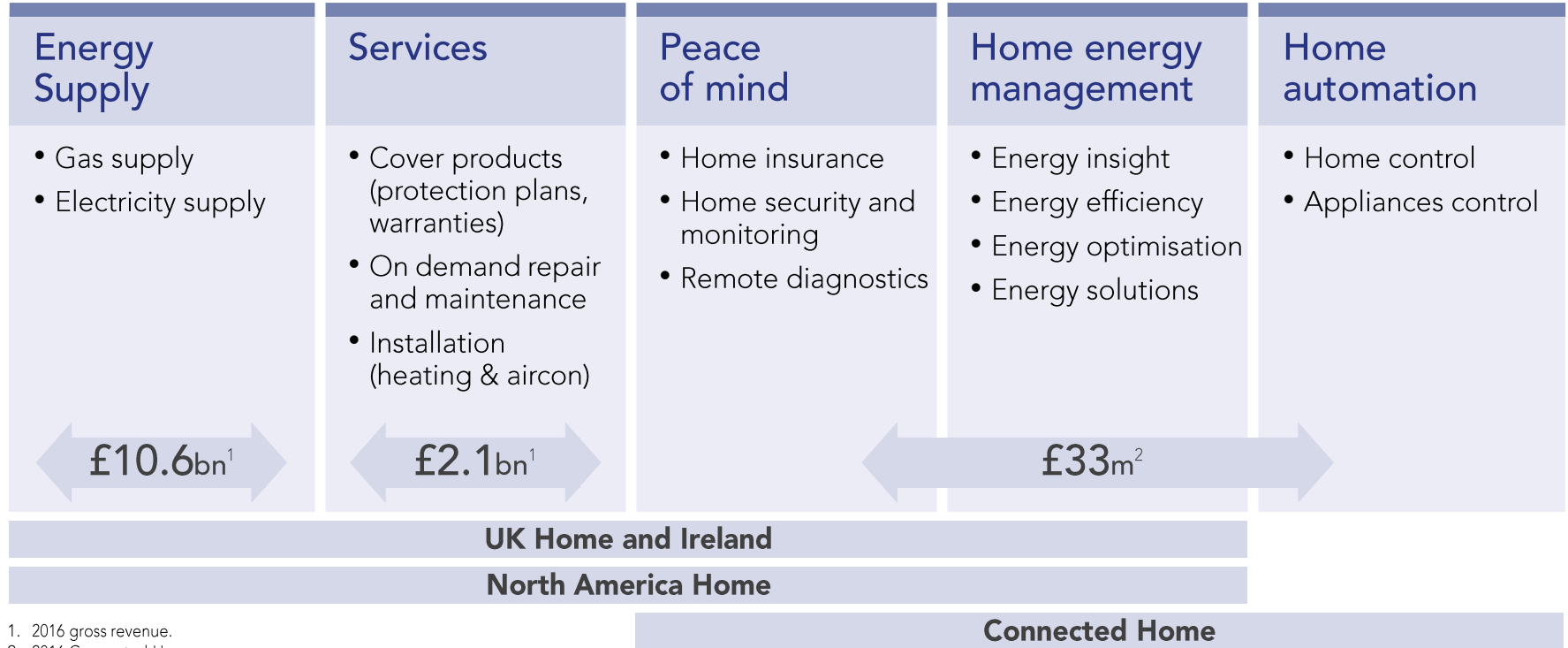
Centrica portfolio and business units



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; expanding geographically, organically and through acquisition
- 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

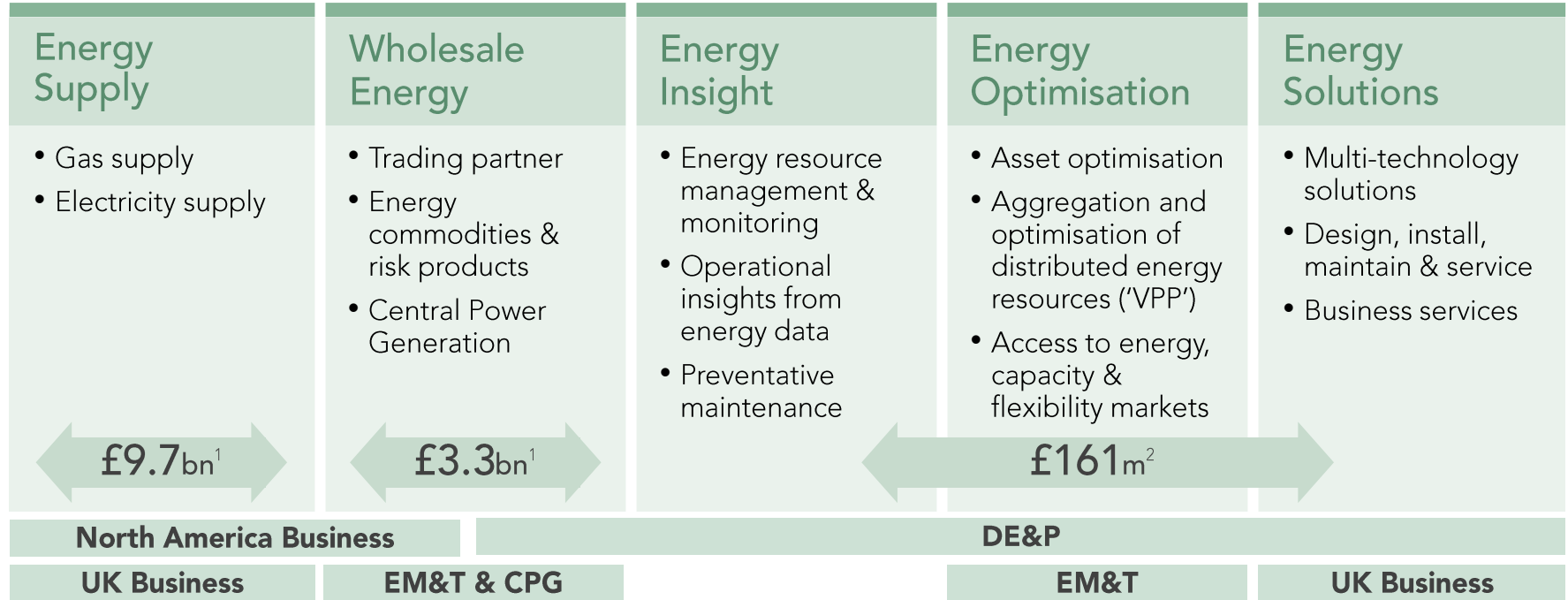
Consumer strategic framework



1. 2016 gross revenue.

2. 2016 Connected Home gross revenue.

Business strategic framework



1. 2016 gross revenue.

2. 2016 DE&P gross revenue.

Asset businesses

- Disposal proceeds delivered or announced within the £0.5-£1.0bn targeted range
- E&P focused on European assets
 - Continue to evaluate all options to strengthen and improve sustainability
- Power portfolio shifting to distributed assets
 - Remaining CCGTs and Nuclear considered as financial investments
- Cessation of storage operations at Rough



UK energy supply market

- Do not believe in any form of price regulation
- Centrica competitively well-positioned focusing on
 - Customer engagement
 - Price competitiveness
 - Cost efficiency and cost leadership
 - Customer service
 - Rewarding loyalty
 - Innovative propositions
- Cash flow flexibility to mitigate impact
- Continue to engage constructively with the UK Government and Ofgem



Buy Hive Active Heating
Subscription and save £108
on your energy bill

With our HomeEnergy Fix May 2018 tariff

> Sign up now

Summary

- Clear purpose and strategy
- Executing on all aspects of our strategy
- Company fundamentally re-positioned by end 2017
- Stronger and more resilient
- Capable of delivering customer-led growth
- Confident in delivering returns and growth



Mark Hodges

Chief Executive, Centrica Consumer

Centrica Consumer management team



Mark Hodges

Chief Executive,
Centrica Consumer



Nina Bhatia

Managing Director
Connected Home



Sarwjit Sambhi

Managing Director
UK Home



Manu Asthana

Managing Director
North America Home



Dave Kirwan

Managing Director
Bord Gáis Energy



Claire Miles

Managing Director
UK Customer Operations



Matthew Bateman

Managing Director
UK Field Operations

Consumer market trends

- Global demographic changes
- Adoption of technology
- Mobile first
- Self-service
- Traditional competitive boundaries blurring
- Growth of data and analytics



Consumer needs

- Value for money
- Solutions not just products
- Frictionless service
- Trusted brands
- Responsible use of data

centrica

British Gas



**Bord Gáis
Energy**



HIVE

Direct Energy.



Our Consumer business today

We have made significant progress

- Improving service
- Realising synergies
- Reducing cost
- Building capability
- Embedding digital and data science

Key facts

4

Geographies

26m¹Customer
accounts**£13bn**

2016 revenue

£2bn2016
operating costs**£4bn²**

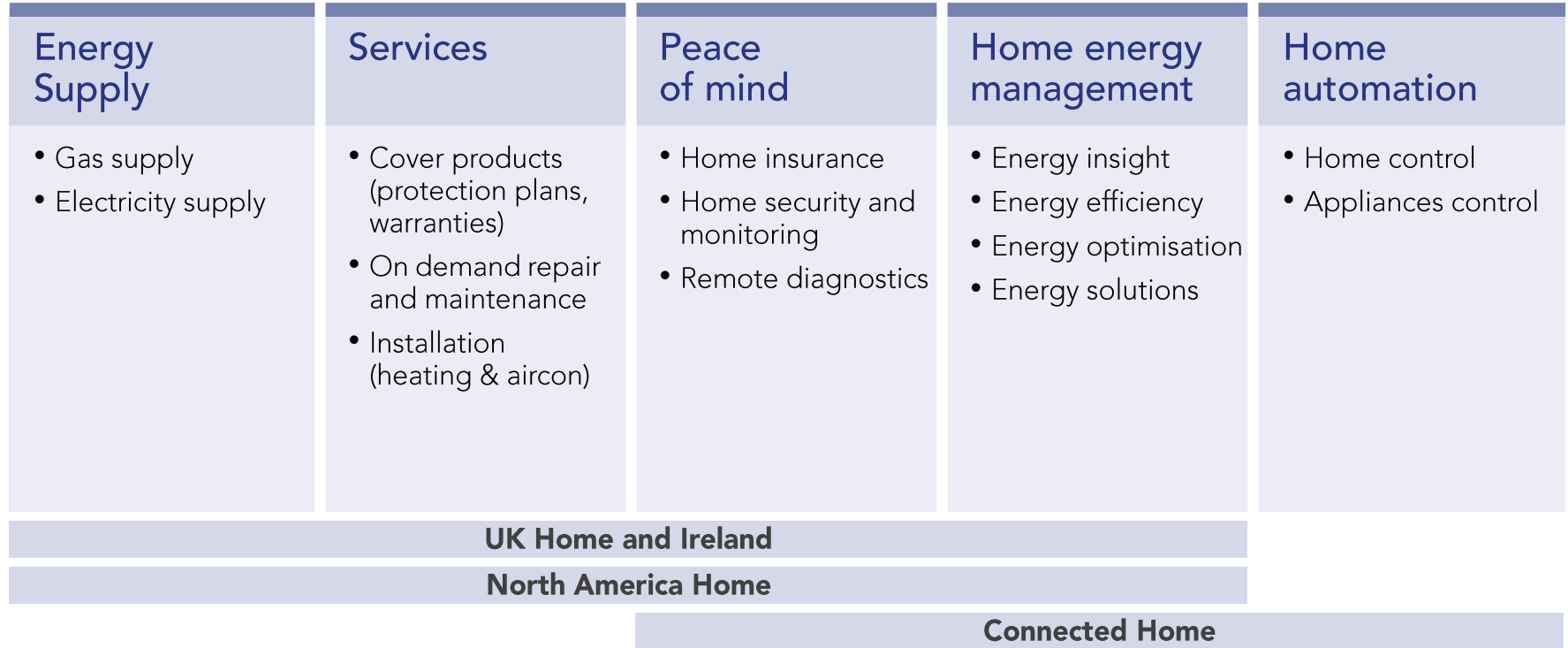
Brand value

>40mCustomer
calls handled p.a.

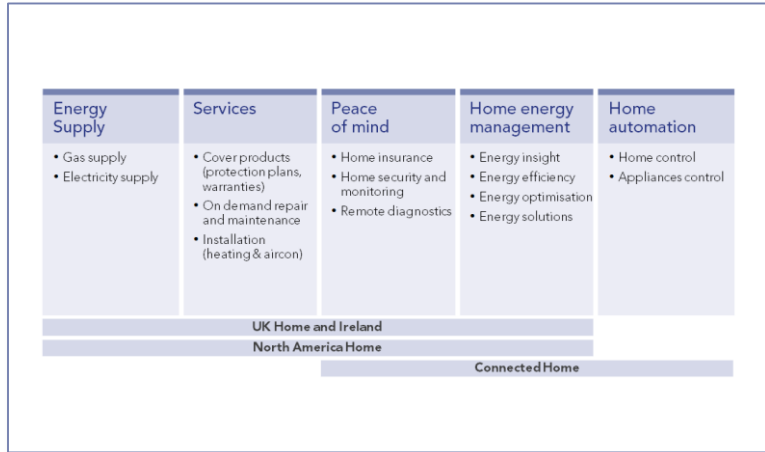
1. Includes energy supply accounts, services accounts and Connected Home cumulative hubs installed as at 31 May 2017.

2. As valued by Brand Finance in 2017. Includes British Gas and Dyno, Direct Energy and other brands in the North America portfolio, Bord Gáis Energy, Hive, and Centrica.

Consumer strategic framework



Consumer future focus



- Cross-selling to customer base
- Bundling across pillars
- Developing replicable business models
- International expansion
- Using data to personalise offer

Energy Supply

Focus areas

- Gas supply
- Electricity supply

Market dynamics

- Total gross margin market size of current markets ~£20.5bn in 2025¹
 - UK&I £5.3bn, NA £15.2bn²
- Price driven
- Highly competed
- Energy embedded in a broader relationship

1. Source: BCG analysis, DECC, Department for Energy, BEIS, Sustainable Energy Authority of Ireland, EIA, Canadian Energy Board.

2. Includes only de-regulated markets in USA and Alberta.

Energy Supply propositions and business model

- Offer innovation
 - Personalisation
 - Tariff innovation
 - Bundling
- Focus on customer value
- Frictionless service
- Cost leadership
- Digitalisation



Key facts¹

FINANCIAL

£11bn
2016 revenue

4-6%
Historic energy
post-tax margin

OPERATIONAL

17m
Energy
customer accounts

28%
UK Home energy
market share

13%
NA Home energy
market share

32%
Bord Gáis Energy
residential market
share

SERVICE

+3
2016 UK Home
NPS

Down 31%
UK Home energy
complaints

+32
2016 NA Home
NPS

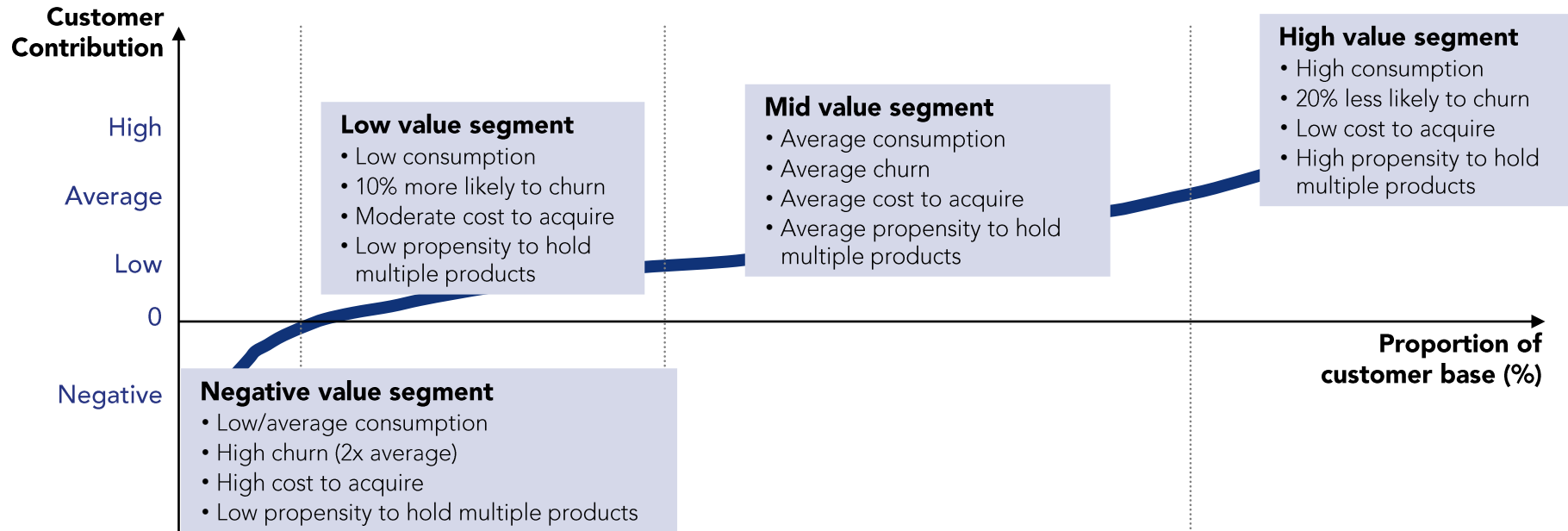
Down 47%
NA Home energy
complaints

+20
2016 Bord Gáis
Energy NPS

1. Energy customer accounts as at 31 May 2017. Market share data is an estimated share in competitive residential energy markets as at 31 May 2017. Complaint reductions are 2016 vs. 2015.

Energy Supply value management case study

Example customer value distribution



Services

Focus areas

- Cover products (protection plans, warranties)
- On demand repair and maintenance
- Installation (heating & aircon)

Market dynamics

- Medium growth, 4% CAGR¹
- Total global revenue market size ~£200bn by 2025¹
- Supply fragmented
- Technology disrupting
- Digitalisation

1. CAGR is 2017-25. Sources: BCG analysis, expert interviews, Government statistics authorities (e.g. ONS). Market size includes revenues for own operation model for Centrica core install and repair and maintenance trades in UK&I, NA and platform revenues for rest of world and for non-core trades in UK&I and NA.

Services propositions and business model

- Offer innovation
 - Personalisation
 - Product modularisation
 - Bundling
- Pricing sophistication
- Cost reduction
- Digitalisation
- Technology adoption
- On demand platform development

Key facts ¹		
FINANCIAL	OPERATIONAL	SERVICE
£2.1bn 2016 revenue	8m Total customer accounts	Down 17% UK Services complaints
14% 2016 UK Services post-tax margin	~1m 2016 Install and on demand jobs	+69 2016 UK engineer NPS
	16,000 Engineers & technicians	+39 to +50 NA Services NPS range

1. Customer accounts as at 31 May 2017. Complaint reduction is 2016 vs. 2015. NA Services NPS is a rolling 6 month range as at April 2017 for NA Home branded operations, Airtron and DEPP branded operations.

Local Heroes case study

- Online platform matching customers with tradespeople
 - Agile development
- Provides access to
 - Large and growing on demand market
 - New services and trades
- Attractive customer proposition
 - Quick and easy matching, online payment
 - Trusted brand, work backed by 12 month guarantee
- High customer satisfaction – NPS +80
- 60% of customers new to brand
- Revenue from commission and up-selling to contracts



Services pricing case study

From

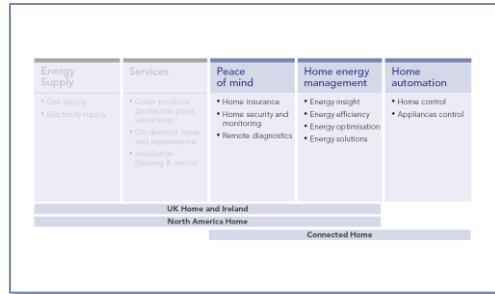
- Using 2 rating factors (risk only)
- Relatively flat pricing at acquisition and renewal
- Infrequent pricing updates
 - ~2 annual price events
- No use of demand elasticity in pricing



To

- Using 10+ rating factors (risk and behavioral)
- Differentiated optimised pricing at acquisition and renewal
- Dynamic price events
 - Multiple updates per day
- Personalised real-time pricing

Connected Home led pillars business model



Approach

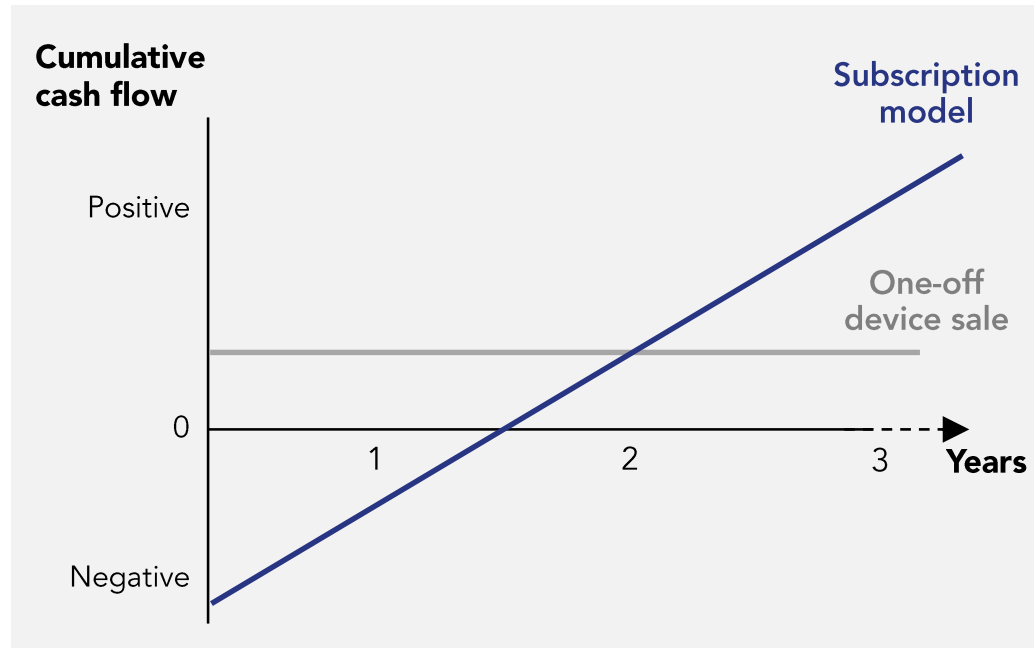
- Global opportunities
- Solution led
- Technology embedded
- Recurring revenue model
- Quality installation and service
- Leveraging existing customer base
- Partnering to grow

Attractiveness

- Clear customer need
- High growth
- Attractive margins
- Diverse competition – Centrica a top 10 global player
- Deep Centrica capabilities
 - Own IoT platform
 - Proprietary devices
 - Third party integration
 - Field & Customer Ops

Hive subscription economics case study

Illustration of cash flow for one customer from one-off device sale vs. subscription model



- Subscription contract
 - Cash break-even in 18 months
 - Cash flow exceeds one-off device sales at 2 years
- Subscription customer tenure longer
- Subscription drives further up-sale
- Gross margin over 5 years
 - One-off: 20%+
 - Subscription: 40%+

Peace of mind

Focus areas

- Home insurance
- Home security and monitoring
- Remote diagnostics

Market dynamics

- High growth, 6.5% CAGR¹
 - Excluding home insurance >10% CAGR¹
- Total global revenue market size £300-330bn by 2025¹
- Technology disrupting
- Synergistic with Services
- Blurring of boundaries between sectors

1. CAGR is 2017-25. Sources: Strategy Analytics, Conning, Finaccord, Mintel, national insurance associations, Technavio. Market size includes home insurance; home security, including remote self-monitoring and interactive security service and installation; and remote diagnostics, in all geographies.

Peace of mind propositions

- Reassurance everything in the home is working as it should
- Disrupting home insurance
- Remote diagnostics
 - Boiler IQ
- Home monitoring pipeline
 - Leak Sensor – Q3 launch
 - Camera – Q3 launch
 - Active Hub – Q4 launch



Key facts¹

73k

UK Home insurance customers

>35k

UK Boiler IQ Installations since launch

7%

Engineer first visits avoided due to Boiler IQ

20%

Engineer second visits avoided due to Boiler IQ

1. UK Home insurance customers at 31 May 2017. Boiler IQ launched in March 2016.

Home energy management

Focus areas

- Energy insight
- Energy efficiency
- Energy optimisation
- Energy solutions

Market dynamics

- Nascent but growing market, 11% CAGR¹
- Total global revenue market size £22-24bn by 2025¹
- Closely synergistic with Energy Supply and Home automation
- Competition from utilities and technology businesses

1. CAGR is 2017-25. Sources: BCG analysis, IHS, EIA, GTM Research, European Commission Institute for Energy and Transport, BCG PV market model, Lazard, Navigant, Strategy Analytics, energy insight industry whitepapers. Market size includes Energy Insight, Smart Thermostats, EV chargers, Li-Ion storage, Demand Response and other Home Energy Management smart devices.

Home energy management propositions

- Engaging customers in energy saving
- Providing insights
 - Smart
 - 'My Energy' and 'Direct Your Energy'
- Providing energy control
 - Hive Active thermostat



Hive Active Thermostat



My Energy

Key facts¹

4m

UK smart
meters
installed

~550k

Hive
thermostats
sold

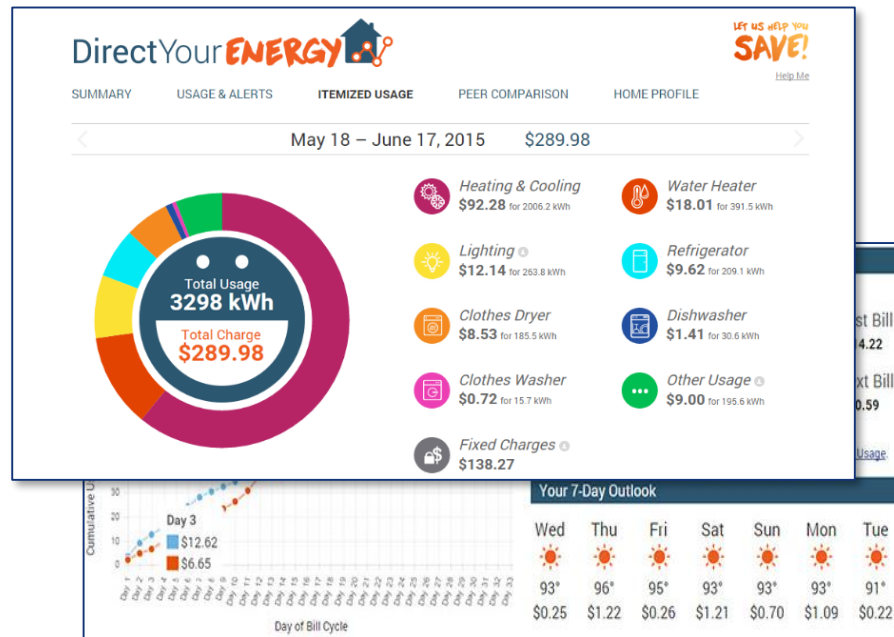
~5m

Customers who can use
'My Energy' and 'Direct
Your Energy'

1. As at 31 May 2017.

'Direct Your Energy' case study

- Available to Direct Energy customers
- Personalised functionality
 - Appliance level usage
 - Usage forecast linked to weather
 - Customer comparison
- Channel for Services cross sale
- Engages high consumption customers
- Reduced call volumes



Home automation

Focus areas

- Home control
- Appliances control

Market dynamics

- High growth, 9.5% CAGR¹
- Total global revenue market size £30-40bn by 2025¹
- Solutions to control the home environment
- Gateway for connected technology
- Varied competitor set

1. CAGR is 2017-25. Sources: BCG analysis, Strategy Analytics. Market size includes smart bulbs, lighting & smart plugs, digitally controlled irrigation controllers as well as the share of the market related to Home automation of cameras, motion detectors, electronic door locks, whole home control systems, gateway/hubs/panels, other devices.

Home automation propositions

- Effortless setup of the home environment
- Simple propositions, based on consumer needs
- 'Welcome Home' plan
 - Your home just how you like it
 - Combines lights, plugs, sensors, thermostat
- Introduction to connected world



Hive Active Plug



Hive Active Lights

Key facts¹

~1m

Total products sold²

~550k

Hive thermostats sold

~300k

Active lights sold

~70k

Active plugs sold

~45k

Sensors sold

~650k

Hubs installed

1. Cumulative totals as at 31 May 2017.

2. Cumulative total products sold excluding connected hubs.

Geographic expansion – Ireland

- 2014 acquisition
- Alignment of Consumer strategy
 - Retention, rewards, service improvement
- Leveraged Centrica knowledge, scale, capabilities
- Maintained local entrepreneurialism
- Further opportunities for growth
 - Services
 - Hive
- Lessons for future geographic growth

Key facts ¹		
FINANCIAL	OPERATIONAL	SERVICE
€210m Acquisition price paid by Centrica	0.65m Total residential customer accounts	Down 35% Complaints
€56m 2016 operating profit	+4% Customer account growth	+20 Brand NPS
+37% Operating profit growth	32% Residential energy market share	
	~70k Service jobs per annum	

1. Financial metrics include BGE Business and the Whitegate CCGT. Residential customer accounts as at 31 May 2017. Operating profit, customer account and complaint comparatives are 2016 vs. 2015. Market share data is an estimated share in competitive residential energy markets as at 31 May 2017.

What you can expect from Centrica Consumer

- Service improvement and cost reduction
- Energy and Services remain core
- Growth through Connected Home
 - 1m Hive installed hubs by the end of 2017
 - Connected Home break-even as early as 2019
- Global focus, building capabilities for expansion





Mark Hanafin

Chief Executive, Centrica Business

Centrica Business management team



Mark Hanafin
Chief Executive,
Centrica Business



Gab Barbaro
Managing Director
UK Business



John Schultz
President
North America Business



Cassim Mangerah
Co-Managing Director
Energy Marketing & Trading



Jonathan Westby
Co-Managing Director
Energy Marketing & Trading



Jorge Pikunic
Managing Director
Distributed Energy & Power

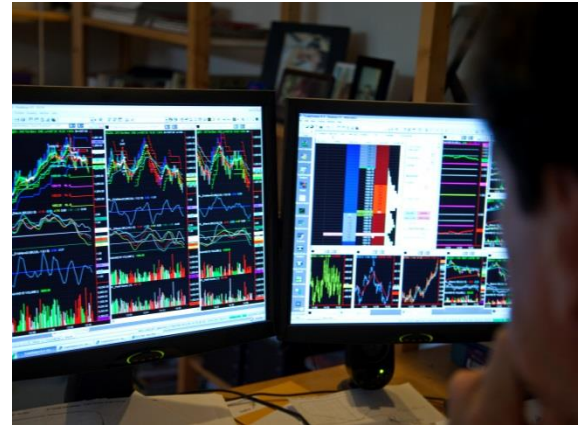
Business market trends

- Volumes per customer reducing
- Margins under pressure
- Gas becoming global
- Mega-trends impacting energy sector
- Electricity system becoming more local

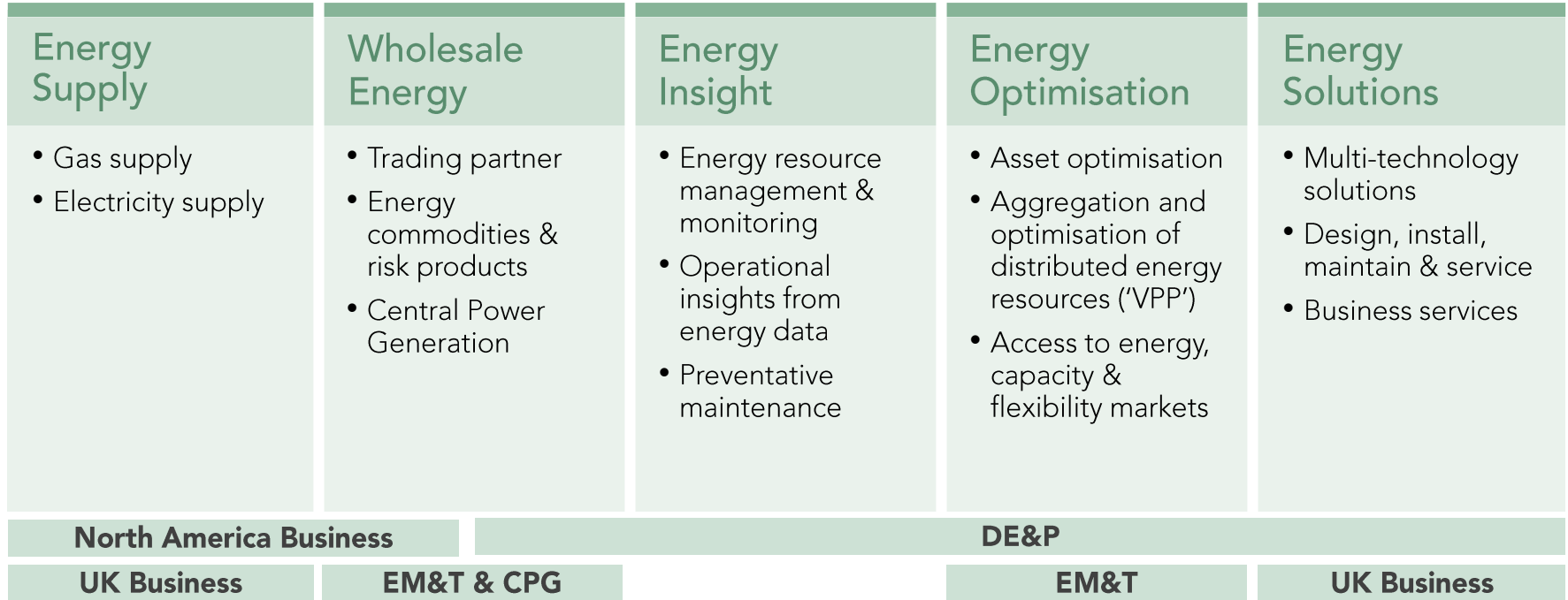


Business customers need

- Reduced cost and increased productivity
- Supply security and resilience
- An expert partner to guide them through complexity
- A trusted and credible counterpart
- Not to be distracted from their main activity

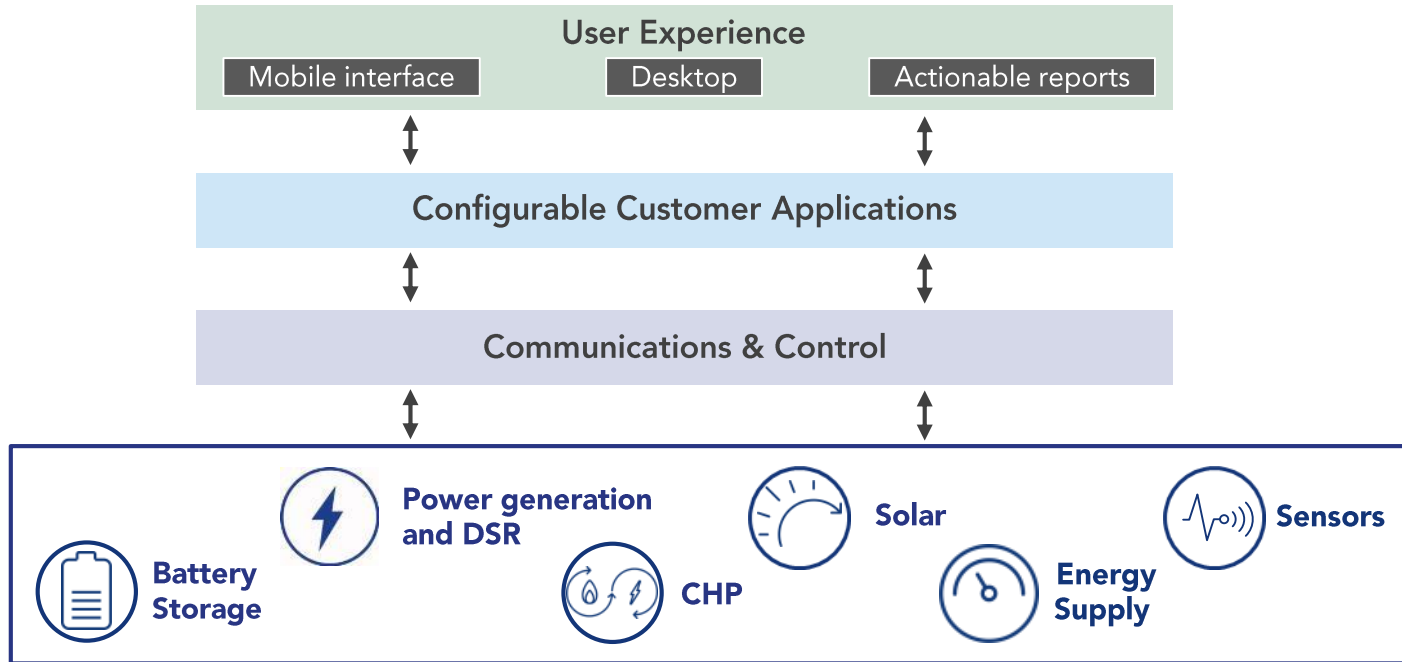


Business strategic framework



Integrated solutions platform

Our vision is to create a single customer portal



Energy Supply

Focus areas

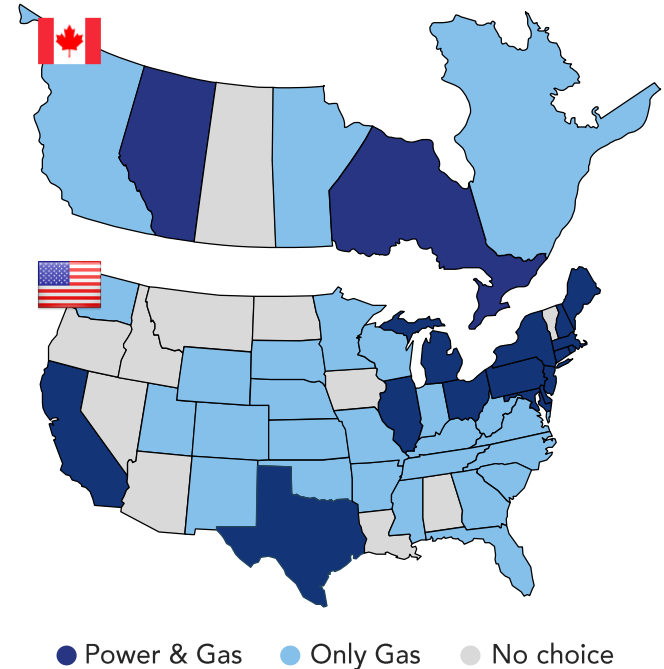
- Gas supply
- Electricity supply

Market dynamics – UK and North America

- Large markets with cash flow generation potential
- Low growth market driven by
 - Margin pressure
 - Falling consumption
- Highly competitive industry structures
- Brokers increasing market share

North America business energy supply

- Many markets allow retail choice
- Legacy distribution companies the default supplier¹ - limited to variable price products with regulated prices
- Retail competitors able to offer a variety of energy products, technology and services
- I&C switch rates away from default supplier ~70%²
- Multiple gas pipeline interconnections
 - Capacity ownership gives flexibility
 - Value created through optimising positions
- DE Business the second largest supplier in NA



1. Excluding Texas.

2. Source: EIA, 2015; based on US total I&C load; switch rates vary by state.

Energy Supply business model

We are growing our energy supply businesses by

- Improving our propositions, such as managed and wholesale products, and a fully digital experience
- Pursuing proactive retention strategies
- Tailoring our approach for different segments
- Building and strengthening strategic partnerships with key brokers
- Leveraging our business model to expand into other North American states and provinces
- Collaborating with our trading business

Key facts¹

FINANCIAL

£9.7bn

2016 revenue

2-3%

2016 operating
profit margin

OPERATIONAL

636bcf

2016 total gas
consumption

103TWh

2016 total electricity
consumption

1.3m

Business customer
account holdings

MARKET SHARE

15% / 2nd

NA market share /
position

6% / 6th

UK market share /
position

1. Energy customer accounts as at 31 May 2017. NA market share / position based on 2015 total switched load in addressable US markets. UK market share / position estimated as at 31 October 2016.

Wholesale Energy

Focus areas

- Trading partner
- Energy commodities & risk products
- Central Power Generation

Market activities

EM&T and North America Business

Internal Portfolio

Market access

- UK Home
- NA Home
- UK Business
- E&P
- CPG

External Customers

Route to market

- Power Purchase Agreements
- Power plant optimisation
- Gas pipeline optimisation
- DE&P distributed energy customers
- Gas supplies to US municipalities

Own Account

Trading

- European Gas & Power
- Financial Oil & Coal
- Global LNG
- Asset Optimisation

Wholesale Energy business model

We are growing our energy trading businesses by

- Expanding our route-to-market business
 - Income from management fees, sharing optimisation margins and trading
- Growing our global LNG business
 - Extract extrinsic margin from optionality
- Expanding and diversifying commodity trading
 - Value from structured transactions and proprietary positions from market insights

Key facts

FINANCIAL

£3.3bn
2016 EM&T
revenue

£161m
2016 EM&T
operating profit

OPERATIONAL

19
European countries
currently traded in

2.5m
Platform trades
in 2016

4.2mtpa
UK LNG regas
capacity

~40
LNG cargo trades
globally in 2016

Energy Supply & Wholesale Energy case study



Ultra-Poly Plant
Bloomsburg, PA
Power Portfolio



- A leader in North American plastics
- Switched from a traditional contract to Energy Portfolio, \$250K savings
- Additional \$45K in net savings by enrolling in demand response
- Bi-weekly strategy calls to review performance and opportunities
- Rolling 12 month purchasing strategy, access to wholesale markets

Our capabilities

Customer journey	What do customers want ?	2015	2017
Consultation	<ul style="list-style-type: none"> Insights into energy usage, operations and potential solutions 	✓	✓
Define & Design	<ul style="list-style-type: none"> Simple, tailored options to choose from 	✓	✓
Implementation	<ul style="list-style-type: none"> Assurances around performance 	✓	✓
O&M	<ul style="list-style-type: none"> Reduced need for customer resources to perform O&M activity 	✓	✓
Optimisation	<ul style="list-style-type: none"> Access new revenue sources and reduce energy bill 	✓	✓
Additional Services	<ul style="list-style-type: none"> Tailored energy bill, access to innovative financing arrangements 	✓	✓

Enhanced technical capabilities through targeted acquisitions

Focus now on enhancing our execution capabilities to build scale globally

Energy Insight

Focus areas

- Energy resource management & monitoring
- Operational insights from energy data
- Preventative maintenance

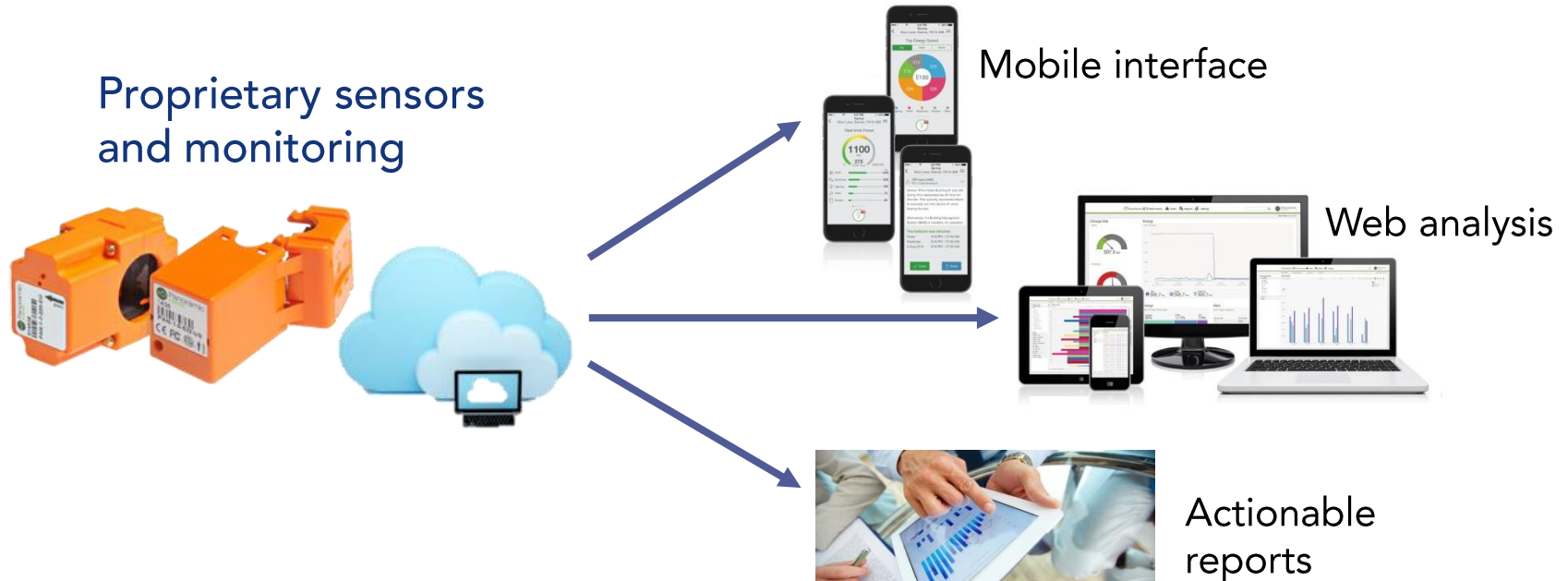
Market dynamics

- Total revenue market size ~£10bn by 2025; 18% CAGR¹
- Internet of Things and Big Data unlocking new markets
- Energy as a strategic asset improving operations and profits
- Machine Learning capabilities deliver the value of the data
- Currently fragmented market with no clear industry leaders

1. Total market size is global. CAGR is 2017-25. Source: BCG Analysis, Navigant.

Energy Insight proposition

Device level monitoring – giving energy and operational efficiency insights



Energy Insight business model

- Enhance customer relationships and build trust
- Deepen understanding of customer operations and provide solutions tailored to each individual customer
- Commercial approach based on a hardware sale and subscription model
- Migrate value from measurement to data insight, leveraging increased machine learning
- Lever data to add new revenue streams, e.g. equipment performance for manufacturers

Key facts¹

FINANCIAL

£1m

2016 revenue

40-60%

Target gross margin

OPERATIONAL

41k

Sensors installed

>1,400

Customer sites

OTHER

~10bn

Data points per month

30

Number of countries

1. Sensors installed as at 31 March 2017. Number of countries excludes countries where we have only a small sales presence.

Energy Insight case study

CLIENT

One of the world's largest building materials suppliers

CHALLENGE

Lacked real-time visibility into energy use

SOLUTION

Installed over **60 sensors** in 5 hours, with no interruption to production



RESULTS

Identified inefficient motor that was tripping out, resulting in increased productivity of **20%**



SAVINGS

Reduced annual energy costs by identifying assets that were operating out of hours. ROI in **one month**



Energy Optimisation

Focus areas

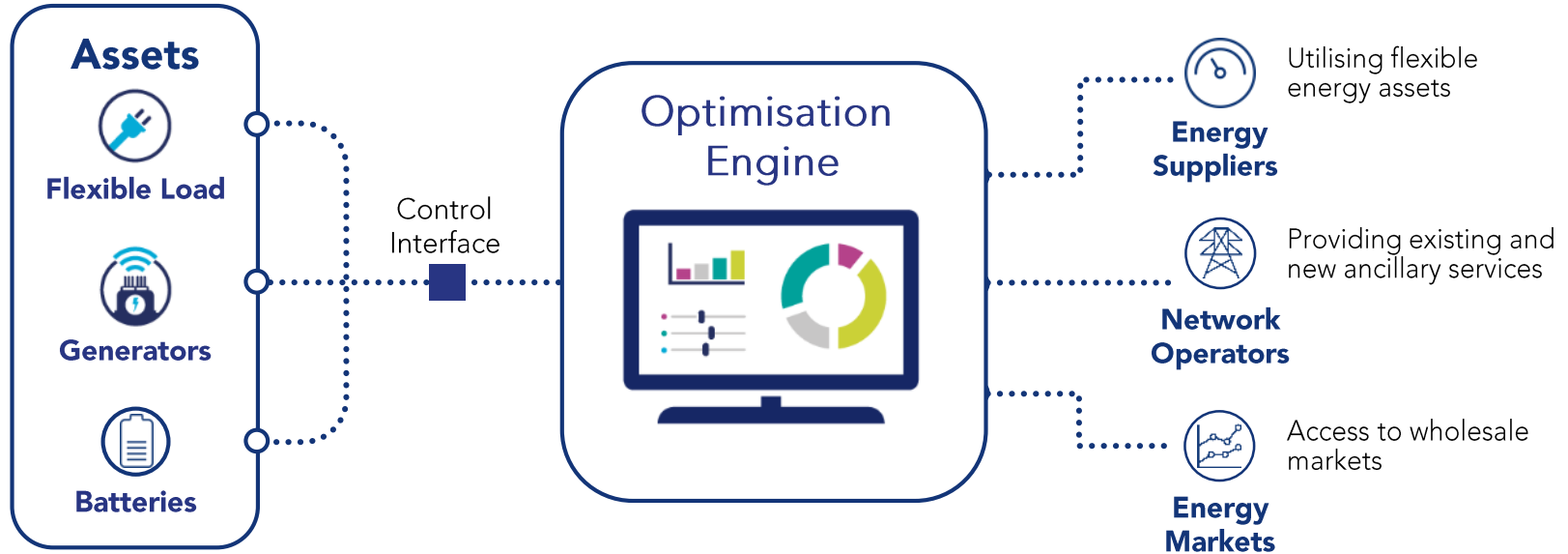
- Asset optimisation
- Aggregation and optimisation of distributed energy resources ('VPP')
- Access to energy, capacity & flexibility markets

Market dynamics

- Total revenue market size ~£6bn by 2025; 18% CAGR¹
- Renewables growth drives increasing flexibility opportunity, for both behind the meter and merchant generation
- Market evolving, regulatory dependency
- New, international markets developing
- Competitor set is largely focused specialists

1. Total market size is global. CAGR is 2017-25. Source: BCG Analysis, Navigant.

Energy Optimisation proposition



Optimisation can be at the customer level or aggregated with other customers

Energy Optimisation business model

- Develop new products that capture value from capacity, energy and growing flexibility markets
- Use trading capabilities to capture value for customer assets
- Provide flexibility services to network operators, using customer and own assets
- Share value with customers using innovative commercial models to suit their risk appetite
- Low cost, agile Neas platform gives competitive advantage

Key facts¹

FINANCIAL

£32m

2016 gross margin
(incl. FY Neas
contribution)

OPERATIONAL

~10GW

Assets under
management

OTHER

7

Countries we
provide power asset
management in

1. Assets under management as at 31 March 2017.

Energy Optimisation case study

CLIENT

Owner of large portfolio of gas peaking plant wanted to benefit from increasing power market volatility and provide services to the grid

NEAS ENERGY

CHALLENGE

Provide efficient route-to-market solution for entire portfolio – assets must run when economic to do so

SOLUTION

Installed Neas Direct as portfolio management system. 17 assets (87 MW) now participate in grid services market



RESULTS

Optimised through Neas Direct. Uses system capability to forecast, notify and trade into day ahead and intraday markets

Energy Solutions

Focus areas

- Multi-technology solutions
- Design, install, maintain & service
- Business services

Market dynamics

- Total revenue market size £80bn by 2025; 3% CAGR¹
- Distributed energy resources increasing in both developed and emerging markets
- Increasing demand for solutions
- Complexity creates challenges and barriers to entry
- Wide competitor set – utilities, equipment manufacturers, Facilities Managers and specialists

1. Total market size is global. CAGR is 2017-25. Source: BCG Analysis, Navigant.

Energy Solutions proposition

A one-stop shop for energy solutions

- Design
- Construction
- Project management
- Operations and maintenance
- Innovative commercial models and financing



CHP



Energy Efficiency



Solar



**Power generation
and DSR**



**LED
Lighting**



**Battery
Storage**



**Energy
Infrastructure
Upgrade**

Energy Solutions business model

- End-to-end energy infrastructure solutions for our customers
- Customer, not product led
- Value creation through both initial installation margins and subsequent O&M services
- Financing and 'as a service' offers
- Integrated Solutions Platform to manage all of a customer's energy resources

Key facts ¹		
FINANCIAL	OPERATIONAL	OTHER
£128m 2016 revenue	480MW Capacity under contract	2,700+ CHP units manufactured
15-25% Target gross margin	>1,500 Customer sites	150MW Solar projects
		USA & UK Production facilities

1. All figures as at 31 March 2017 unless otherwise stated.

Energy Solutions case studies



centrica

Cathedral Village – Senior Living (US)

20 year
ESA contract
~\$300,000

\$8.5 million
Contract lifetime value

Annual Client savings

Containerised CHP system

- 265kW CHP unit
- Lighting upgrade
- Energy infrastructure upgrade
- HVAC replacement

Coca Cola Enterprises (Marcianese, Italy)

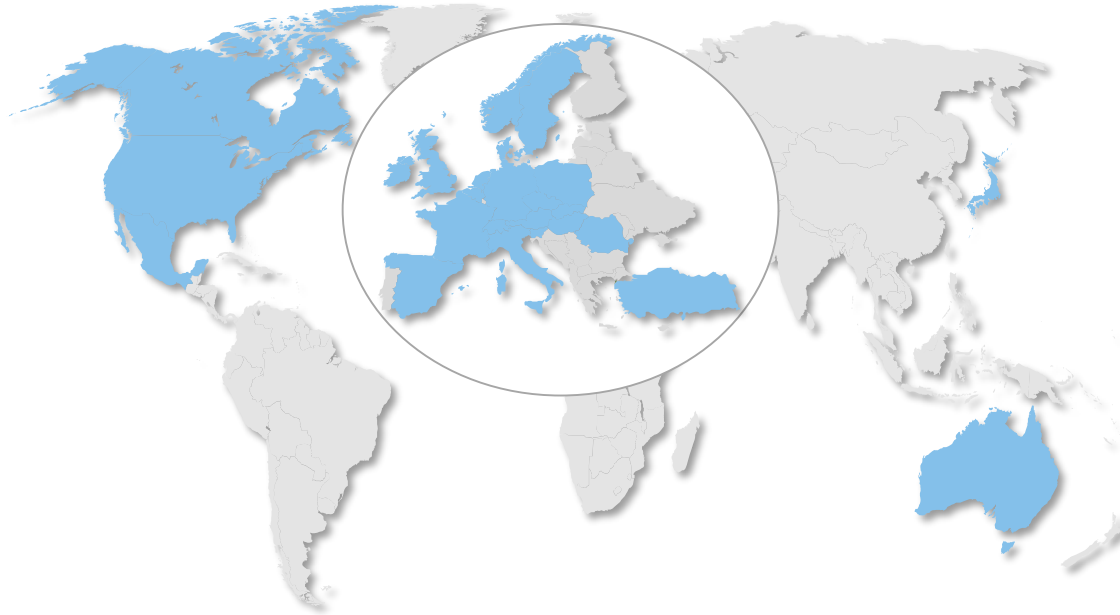
Capital Purchase
Annual Client savings:
40% energy costs

1,300 tonnes
CO₂ savings per year

Containerised CHP system

- 1,280kW CHP unit
- 500kW absorption unit

Our ability to win



- Global presence
- Large existing customer base
- Existing, proven capabilities being extended and deepened
- Credible long-term partner
- Ability to provide financing solutions

What you can expect from Centrica Business

- Energy Supply
 - Growth through focus on new propositions and customer service
- Wholesale Energy
 - Expand footprint of route-to-market services, LNG and Trading
- Distributed Energy & Power
 - Revenue growth – ~£1bn within 5 years
 - Customer site growth – from around 4,000 to 20,000 within 5 years
 - Break-even by as early as 2019

Business summary

- Market trends are clear
- Large global market opportunity
- Centrica Business is strategically well positioned
- We have some unique capabilities and are rapidly building others
- Centrica Business has significant growth potential



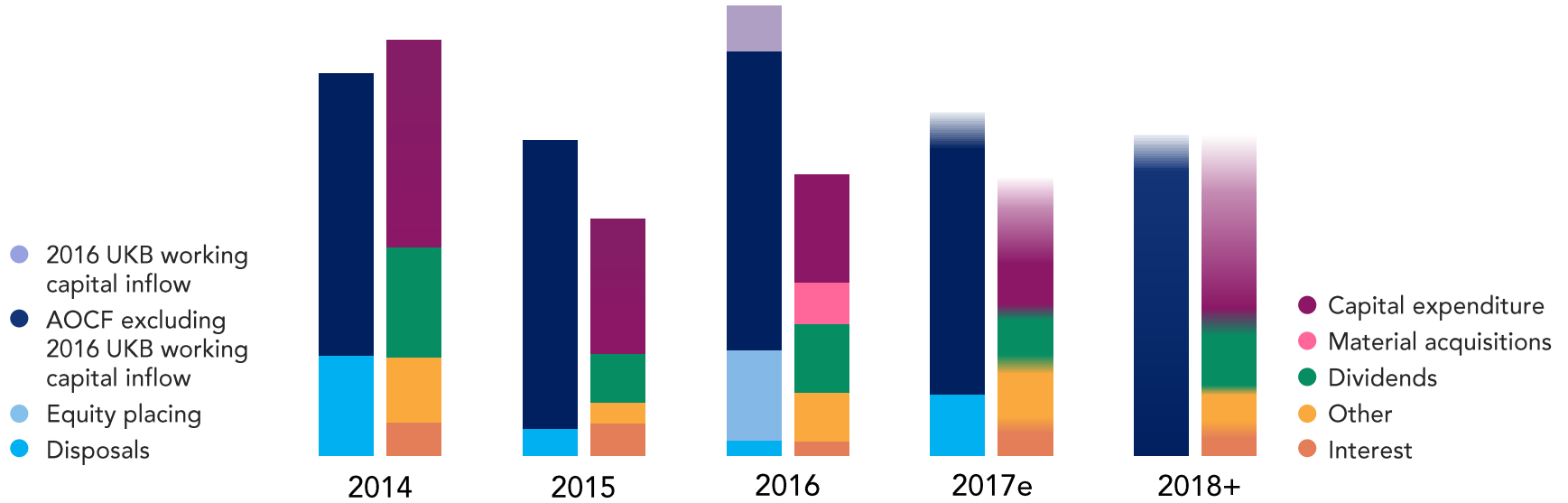
Jeff Bell

Group Chief Financial Officer

Financial framework

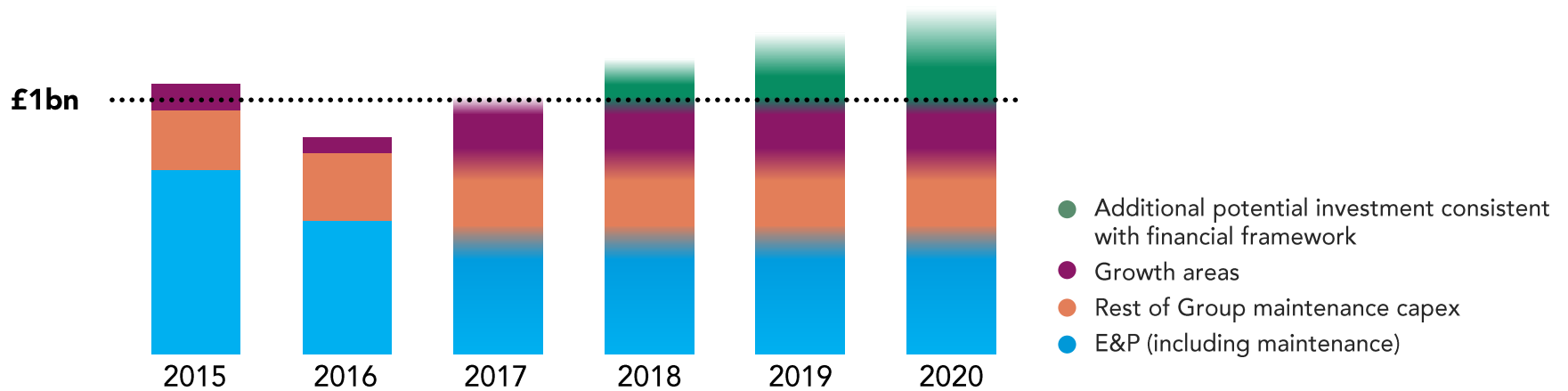
Targets	Metric
Adjusted operating cash flow	<ul style="list-style-type: none">• 3-5% underlying growth p.a. on average
Dividend	<ul style="list-style-type: none">• Progressive in line with adjusted operating cash flow
Controllable costs	<ul style="list-style-type: none">• Operating cost growth < inflation
Capital re-investment	<ul style="list-style-type: none">• Investment <70% of adjusted operating cash flow• Limited to £1bn p.a. in 2016-17
Credit rating	<ul style="list-style-type: none">• Strong investment grade (Baa1/BBB+ or above)
ROACE	<ul style="list-style-type: none">• 10-12%

Sources and uses



Closing net debt	2014	2015	2016	2017e
	£5.2bn	£4.7bn	£3.5bn	£2.5-£3.0bn

Investment

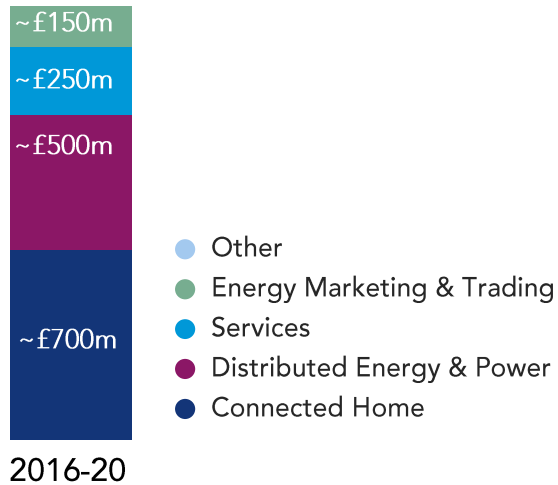


Note: Excludes material acquisitions.

Investment in growth

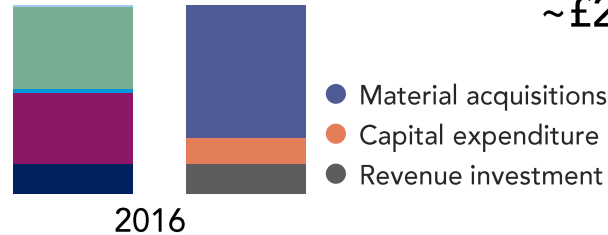
2015 Strategic Review

~£1.5bn over 5 years
50/50 capex / revenue investment



2016 Actual

~£450m

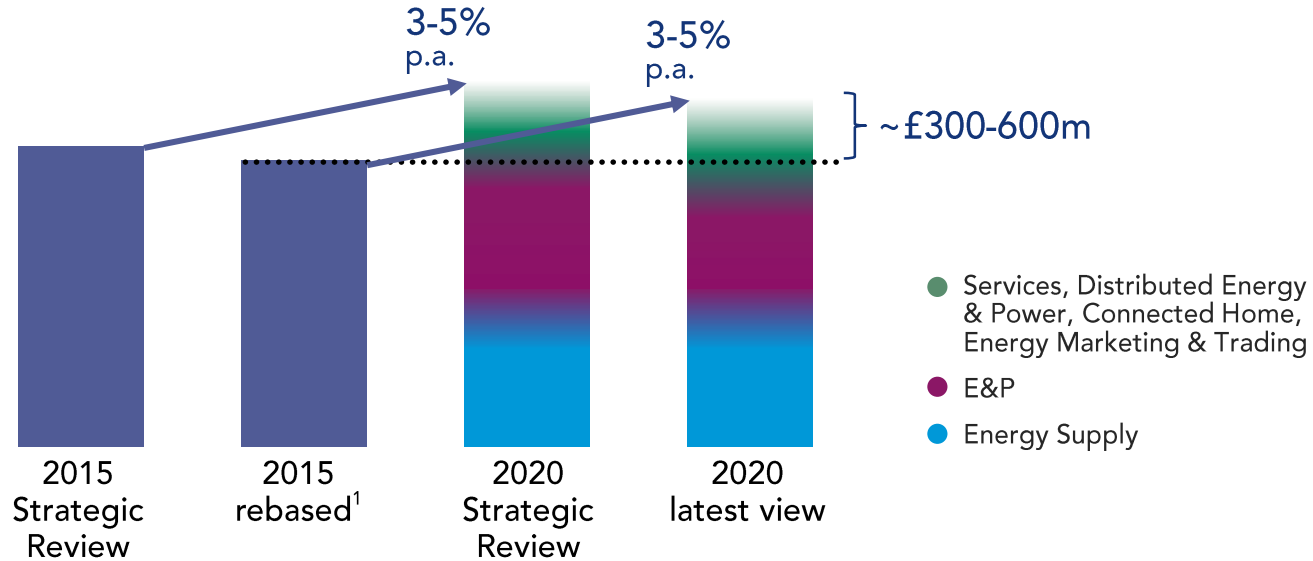


2017-2020 Expected

~£250-350m p.a.



AOCF growth



1. 2015 operating cash flow adjusted to reflect 2016 achieved commodity prices and FX.



Iain Conn

Group Chief Executive

Objectives for today

- Update on where and what Centrica is today
- Provide a deeper understanding of our Consumer and Business divisions, strategy and growth potential
- Demonstrate our capabilities and technology to underpin growth
- Evidence our ability to deliver long-term value through returns and growth

Summary

- Clear purpose and strategy
- Executing on all aspects of our strategy
- Company fundamentally re-positioned by end 2017
- Stronger and more resilient
- Capable of delivering customer-led growth
- Confident in delivering returns and growth

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



Iain Conn

Group Chief Executive

Q&A



Iain Conn
Group Chief
Executive



Jeff Bell
Group Chief
Financial Officer



Mark Hodges
Chief Executive,
Centrica Consumer

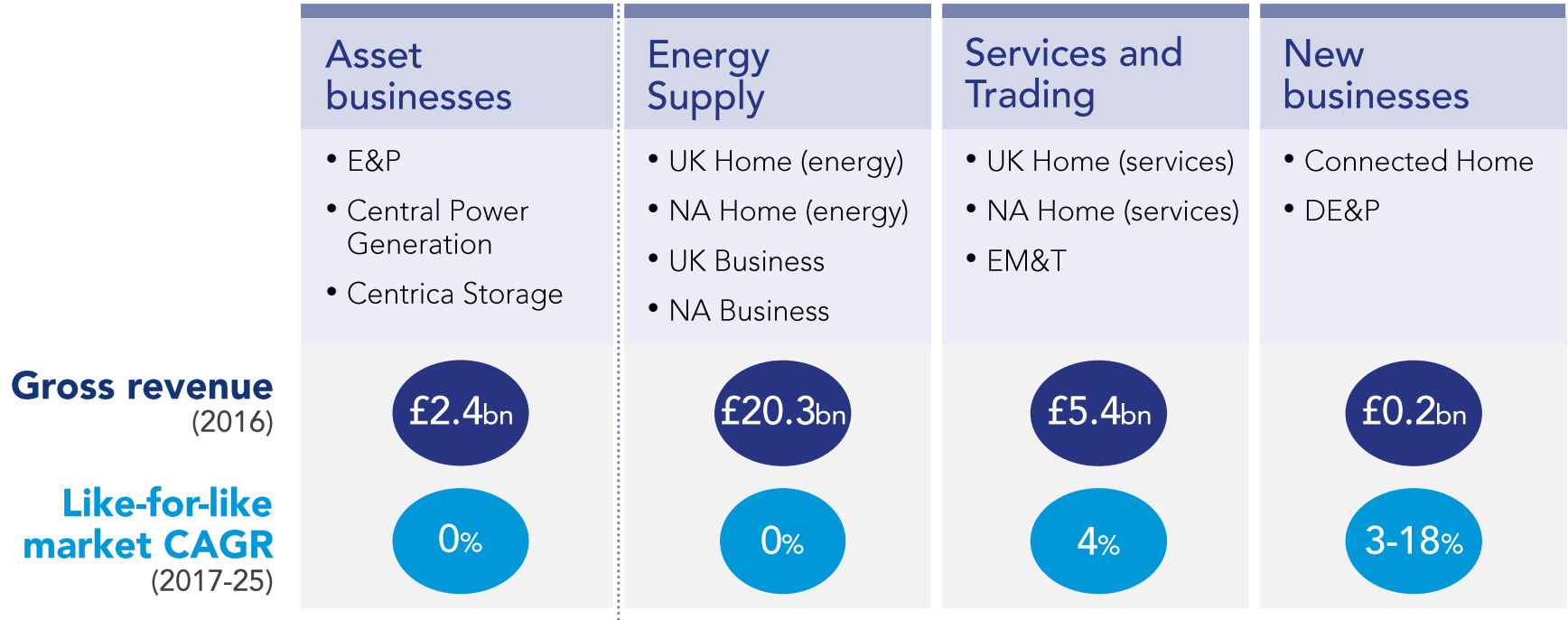


Mark Hanafin
Chief Executive,
Centrica Business

Group progress

- Executing on all aspects of our strategy
- First phase of portfolio transformation will be complete by end 2017
 - Asset businesses repositioned
 - Centrica Consumer and Centrica Business established
- ~£450m capital and revenue investment in growth areas in 2016
- 14% underlying AOCF growth in 2016
- £384m efficiency savings in 2016; further £250m targeted in 2017
- On track to deliver against 2017 targets
- Balance sheet materially strengthened; targeting £2.5-3.0bn net debt by end 2017
- Targeting balanced sources and uses of cash flow in 2018

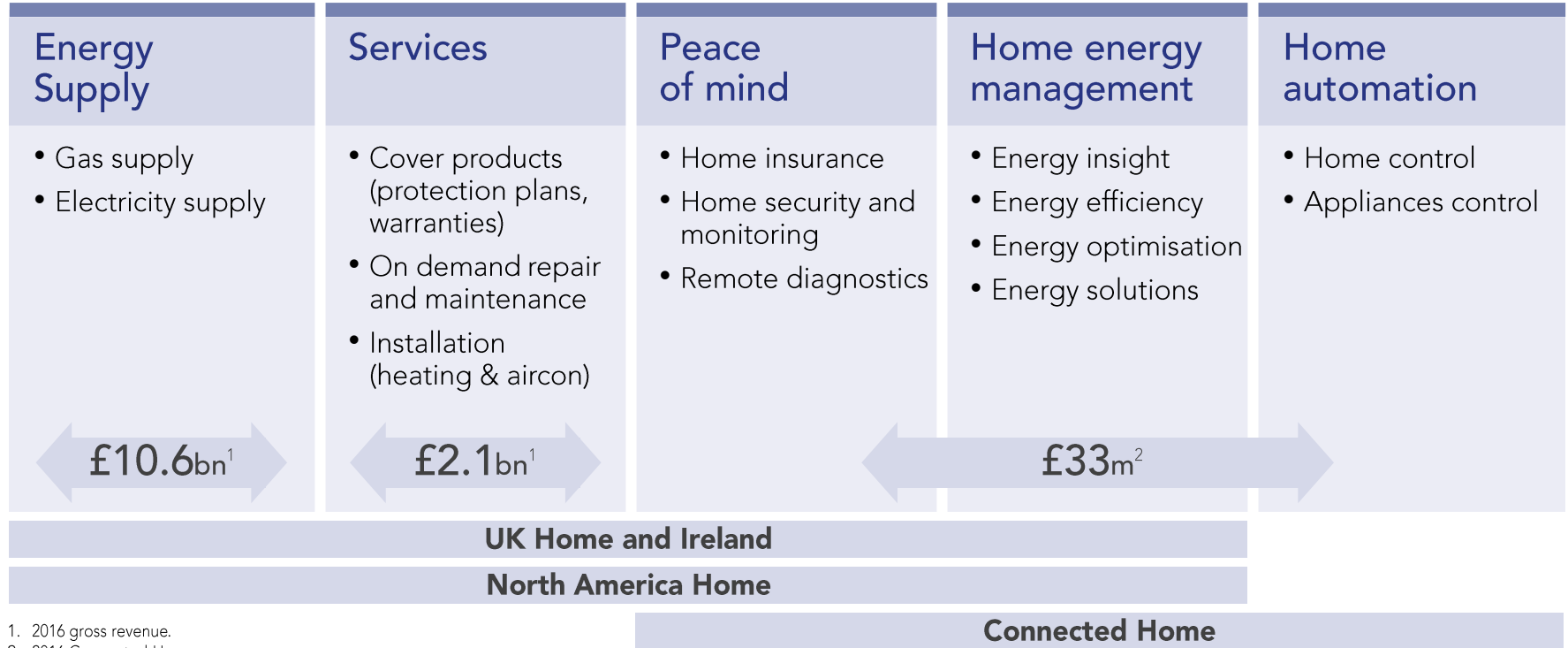
Centrica portfolio and business units



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; expanding geographically, organically and through acquisition
- 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

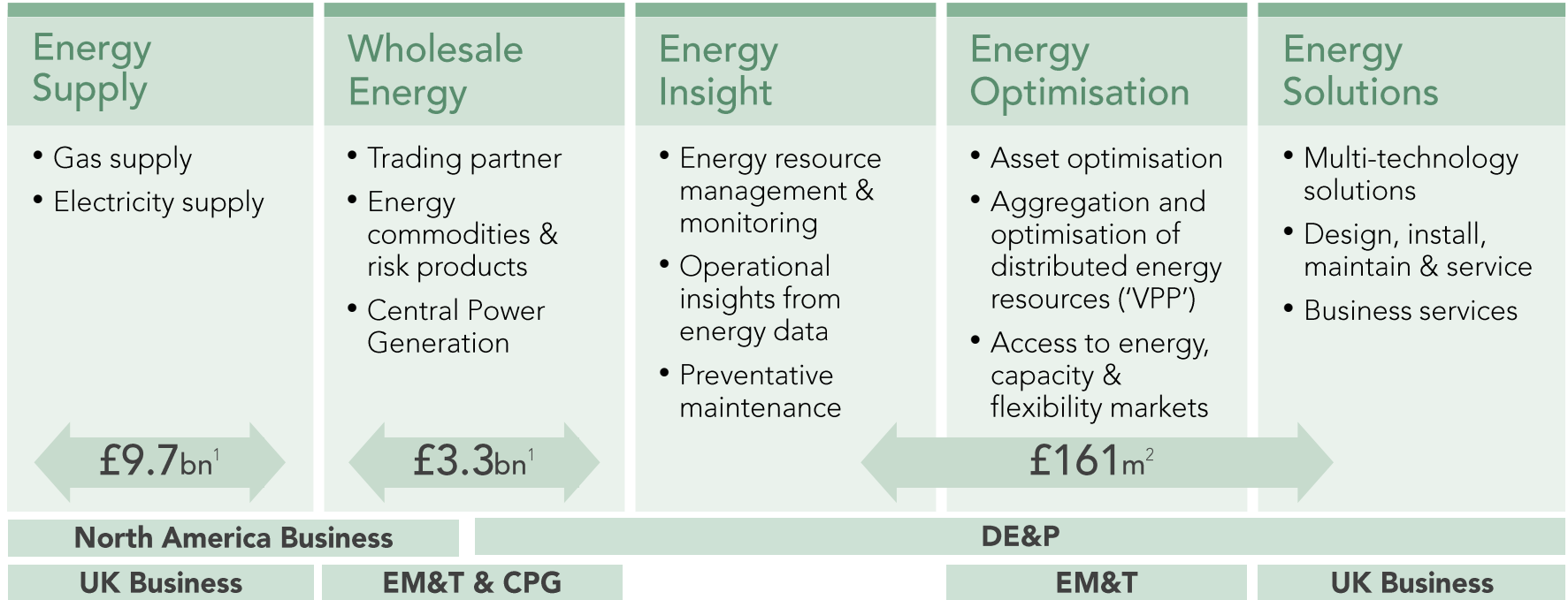
Consumer strategic framework



1. 2016 gross revenue.

2. 2016 Connected Home gross revenue.

Business strategic framework



1. 2016 gross revenue.

2. 2016 DE&P gross revenue.

Financial framework

Targets	Metric
Adjusted operating cash flow	<ul style="list-style-type: none">• 3-5% underlying growth p.a. on average
Dividend	<ul style="list-style-type: none">• Progressive in line with adjusted operating cash flow
Controllable costs	<ul style="list-style-type: none">• Operating cost growth < inflation
Capital re-investment	<ul style="list-style-type: none">• Investment <70% of adjusted operating cash flow• Limited to £1bn p.a. in 2016-17
Credit rating	<ul style="list-style-type: none">• Strong investment grade (Baa1/BBB+ or above)
ROACE	<ul style="list-style-type: none">• 10-12%

Summary

- Clear purpose and strategy
- Executing on all aspects of our strategy
- Company fundamentally re-positioned by end 2017
- Stronger and more resilient
- Capable of delivering customer-led growth
- Confident in delivering returns and growth