Centrica plc Interim Results

for the period ended 30 June 2017

centrica

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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

Headlines

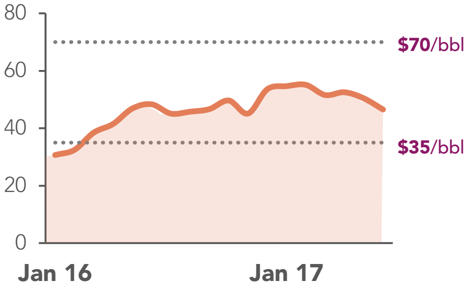
- Solid H1 2017 financial performance
  - Adjusted operating profit down 4%; customer-facing adjusted operating profit flat
  - Adjusted earnings down 11%; adjusted EPS of 8.2p
  - EBITDA up 2%; AOCF down 9%; underlying AOCF growth of 0.3%
  - £124m of cost efficiencies
  - Net debt down to £2.9bn
- Company fundamentally repositioned by end of 2017
  - Portfolio repositioned and resources reallocated
  - Cost efficiency programme ahead of schedule
  - Enhanced capabilities and technology

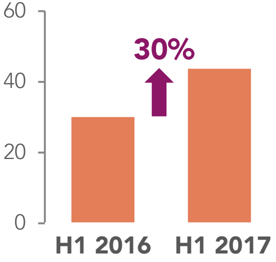
Jeff Bell

Group Chief Financial Officer

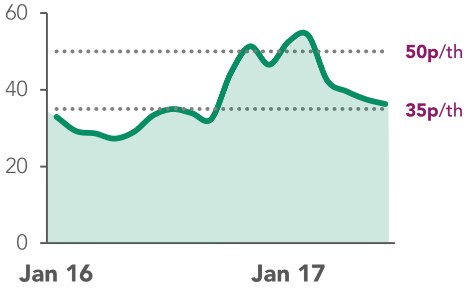
Commodity prices

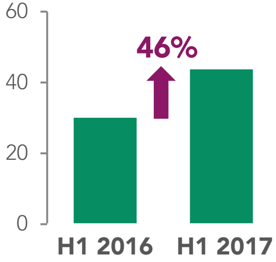
Average Brent oil prices
($/bbl)



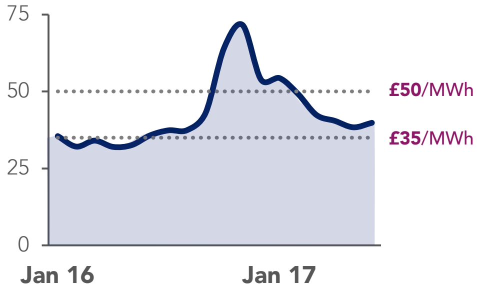


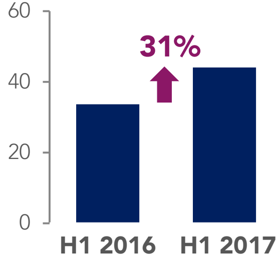
Average UK NBP gas prices
(p/th)





Average UK baseload power prices
(£/MWh)





H1 2016 and H1 2017 Brent oil, UK NBP gas and UK baseload power prices are historic month ahead prices averaged over the period.

Financial Headlines

Six months ended 30 June	2016	**2017**	Δ
Revenue (£m)	13,380	**14,293**	7%
Adjusted operating profit (£m)	853	**816**	(4%)
Adjusted earnings (£m)	507	**449**	(11%)
Adjusted basic earnings per share (p)	9.8	**8.2**	(16%)
Interim dividend per share (p)	3.6	**3.6**	0%
EBITDA (£m)	1,272	**1,293**	2%
Adjusted operating cash flow (£m)	1,372	**1,242**	(9%)
Underlying adjusted operating cash flow growth	4.9%	**0.3%**	nm
Group net investment (£m)	444	**131**	(70%)
Net debt (£m)	3,783	**2,941**	(22%)

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. H1 2016 underlying adjusted operating cash flow has been restated to be consistent with the methodology used in the 2016 Preliminary Results announcement to include foreign exchange movements. See pages 53 to 54 for an explanation of the use of adjusted performance measures.

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 53 to 54 in the Interim Results announcement.

Adjusted operating profit

Six months ended 30 June (£m)	2016	**2017**	Δ
Centrica Consumer	*669*	***538***	*(131)*
Centrica Business	*92*	***222***	*130*
Customer-facing businesses	761	**760**	(1)
Asset businesses	92	**56**	(36)
Total Centrica	853	**816**	(37)

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 Interim Results announcement.

Centrica Consumer

ADJUSTED OPERATING PROFIT / (LOSS)			
Six months ended 30 June (£m)	2016	**2017**	Δ
UK Home	635	**489**	(23%)
Ireland	24	**33**	38%
North America Home	33	**60**	82%
Connected Home	(23)	**(44)**	(91%)
Centrica Consumer	669	**538**	(20%)
ADJUSTED OPERATING CASH FLOW			
Centrica Consumer	616	**484**	(21%)

ADJUSTED OPERATING PROFIT			
Ireland (€m)	*31*	*39*	*26%*
North America Home ($m)	*47*	*76*	*62%*

Average UK temperature
(degrees Celsius)

Connected Home gross revenue (£m)

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 Interim Results announcement. SNT = seasonal normal temperature.

Centrica Business

ADJUSTED OPERATING PROFIT / (LOSS)			
Six months ended 30 June (£m)	2016	**2017**	Δ
UK Business	31	**0**	(100%)
North America Business	62	**112**	81%
Distributed Energy & Power	(11)	**(19)**	(73%)
Energy Marketing & Trading	(14)	**105**	nm
Central Power Generation	24	**24**	0%
Centrica Business	92	**222**	141%
ADJUSTED OPERATING CASH FLOW			
Centrica Business	434	**445**	3%

ADJUSTED OPERATING PROFIT			
North America Business ($m)	*90*	*141*	*57%*

Average US North East temperature
(degrees Celsius)

DE&P gross revenue
(£m)

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 Interim Results announcement. SNT = seasonal normal temperature.

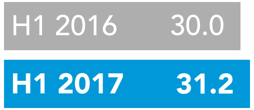
Exploration & Production

Six months ended 30 June (£m)	2016	**2017**	Δ
Gas and liquids realisations [1]	680	**696**	2%
Adjusted operating profit	88	**99**	13%
Adjusted operating cash flow	336	**276**	(18%)
Free cash flow	72	**89**	24%

Production volumes
Total (mmboe)

Average gas sales price
Europe (p/th)

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 53 to 54 in the Interim Results announcement.

Centrica Storage

Six months ended 30 June (£m)	2016	**2017**	Δ
Gross revenue	82	**12**	(85%)
Adjusted operating (loss) / profit	4	**(43)**	nm
Adjusted operating cash flow	30	**(42)**	nm

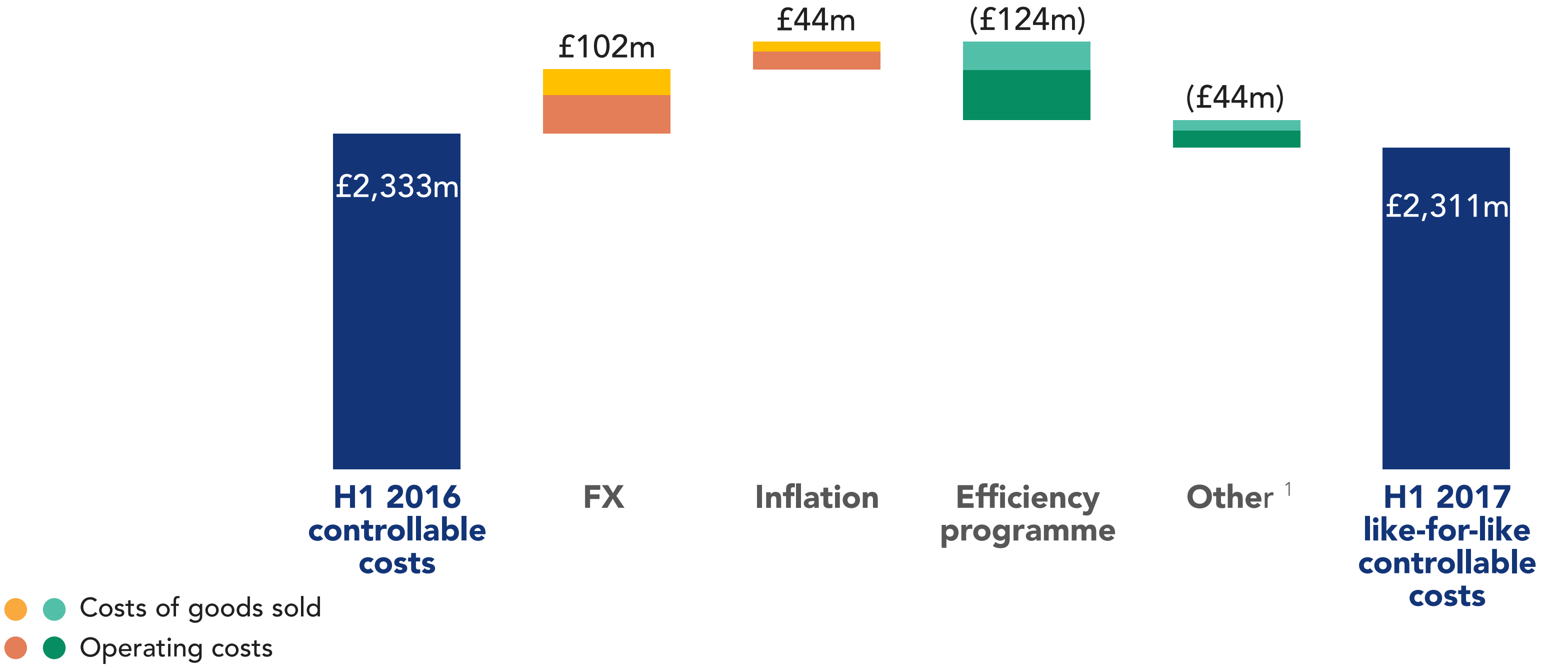
The above figures are stated before exceptional items and certain re-measurements and include share of joint ventures and associates before interest and taxation. Reconciliations of adjusted operating profit and adjusted operating cash flow are provided in the Group Financial Review in the Interim Results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

Operating costs

Six months ended 30 June (£m)	2016	**2017**	Δ
Reported operating costs	1,514	**1,466**	(3%)
FX impact	61	**-**	-
Adjustments	(239)	**(195)**	-
Adjusted operating costs	1,336	**1,271**	(5%)
Growth investment	(11)	**(36)**	-
Adjusted operating costs excl. growth investment	1,325	**1,235**	(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, the impact of portfolio changes and foreign exchange movements.

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.

Net investment

Six months ended 30 June (£m)	2016	**2017**
Centrica Consumer	61	**59**
Centrica Business	39	**81**
Exploration & Production	289	**220**
Gas storage and other [1]	35	**25**
Capital expenditure (including small acquisitions)	424	**385**
Material acquisitions [2]	132	**-**
Net disposals [3]	(112)	**(254)**
Group net investment	444	**131**

1. Other includes Corporate Functions.
2. The H1 2016 material acquisition is ENER-G Cogen, net of cash acquired.
3. H1 2016 net disposals include the 50% interest in the GLID windfarm and small non-core E&P disposals. H1 2017 net disposals include the 50% interest in the Lincs windfarm and Trinidad and Tobago E&P assets. The announced disposals of Canada E&P and the Langage and Humber CCGTs are both expected to complete in H2 2017.

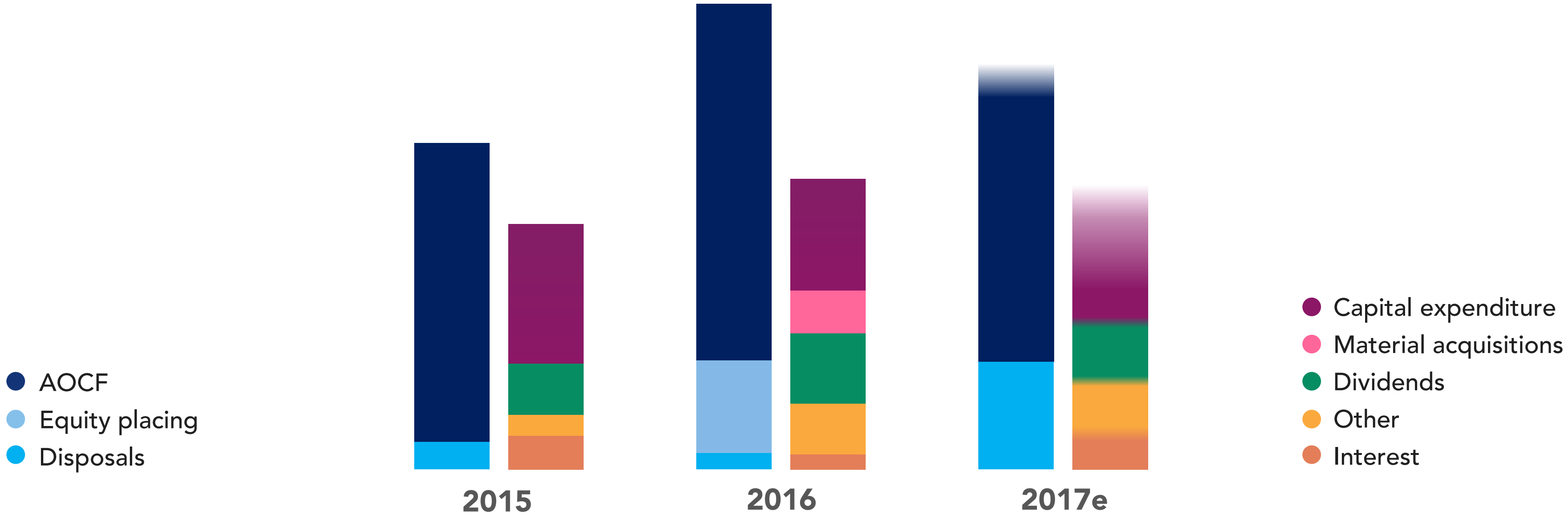
See pages 53 to 54 in the Interim Results announcement for an explanation of the use of adjusted performance measures.

Cash flow

Six months ended 30 June (£m)	2016	**2017**
EBITDA	1,272	**1,293**
Tax	(141)	**(24)**
Dividends received	49	**20**
Working capital & other [1]	192	**(47)**
Adjusted operating cash flow	1,372	**1,242**
Net investment	(444)	**(131)**
Interest	(55)	**(128)**
Dividends	(365)	**(258)**
Other [2]	(186)	**(182)**
Equity placing	700	**-**
Adjusted net cash inflow	1,022	**543**

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 H1 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.

Sources and uses of cash flow



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

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 £1bn p.a. in 2016-17
Credit rating	• Strong investment grade (Baa1/BBB+ or above)
ROACE	• 10-12%

Iain Conn

Group Chief Executive

Capital Markets Day 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

Strategic update

- Portfolio transformation
- Consumer account holdings
- Strategic progress – Consumer and Business divisions, asset businesses
- Efficiency programme
- UK energy supply market
- Summary and outlook

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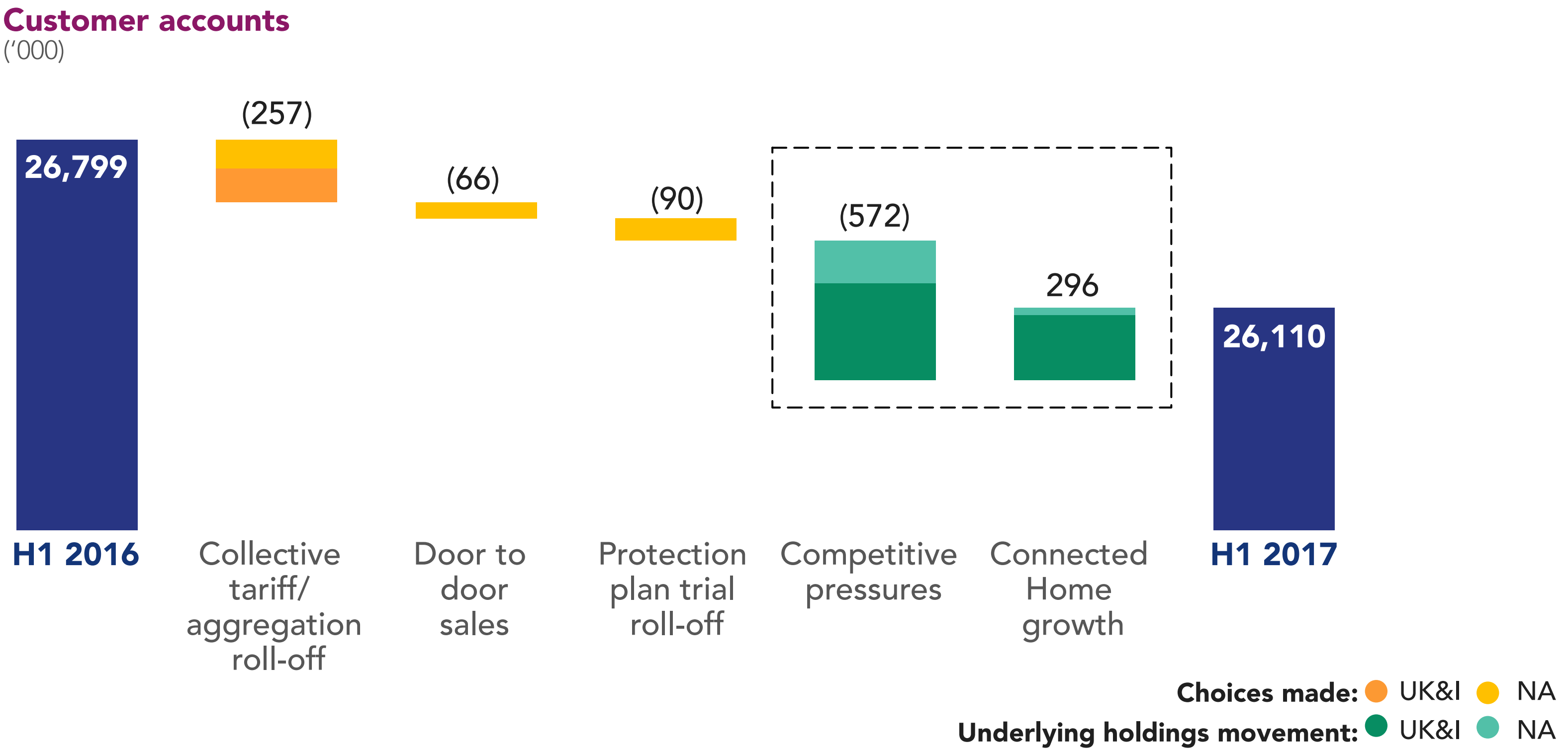
Portfolio transformation

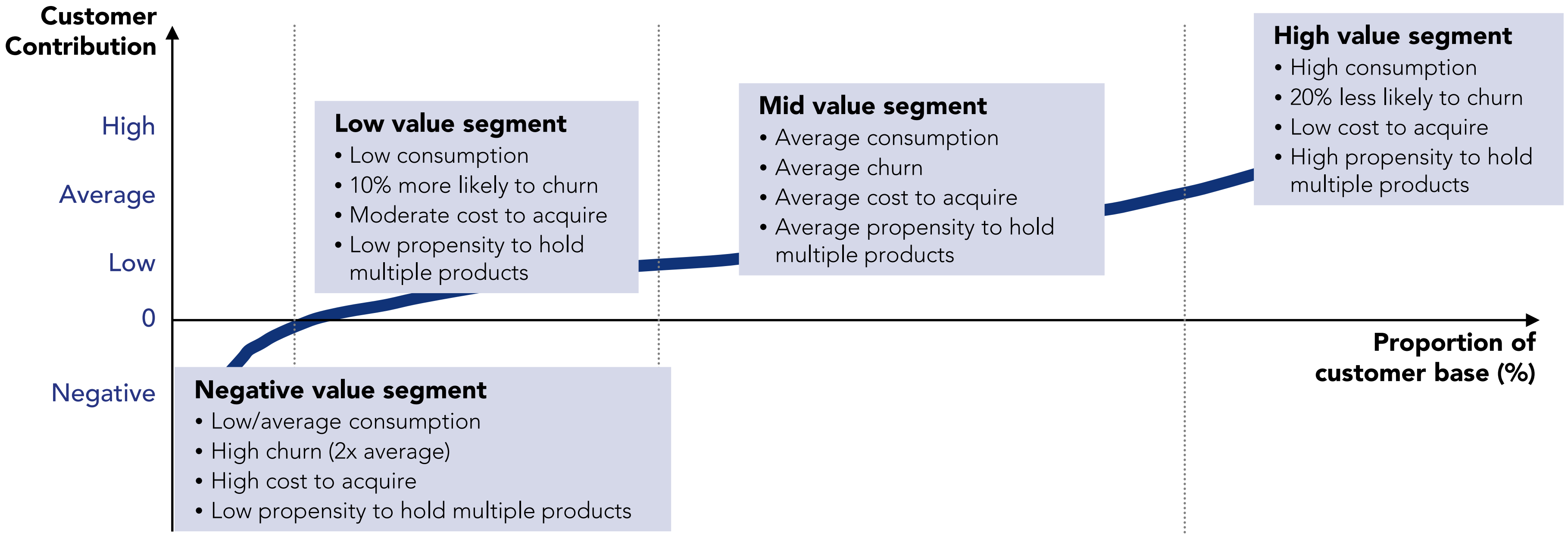
- Around £600m organic capital reduction in E&P since 2015
- Over £900m of divestments
- Over £500m invested incrementally in customer-facing growth activities
  - Acquisitions and capital expenditure
  - ~£100m revenue investment in growth areas in FY 2017
  - New capabilities and propositions in energy supply and services
  - Centrica Innovations
- Customer-facing portfolio simplification

Consumer account holdings



Energy Supply value management

Example customer value distribution



Centrica Consumer performance and progress

Energy supply

- Reduced complaints
- UK, Ireland, NA Cost per Home customer down
- 'British Gas Rewards' – 150k members signed-up

Services

- UK nationwide launch of 'Local Heroes'
- Exiting NA rooftop residential solar
- Installed 4m UK smart meters

Peace of mind

- Connected camera launched
- Hive 'Home Check' subscription
- Hive leak sensor and Hive Active Hub launch in H2 2017

Home energy management

- 660k Hive hubs installed
- Hive launched in NA, Ireland and Italy
- Hive 'Heating and Cooling' subscription

Home automation

- >1m products sold
- Hive 'Welcome Home' subscription

Centrica Business performance and progress

Energy supply

- Reduced complaints
- UK billing issues resolved
- Enhanced digital experience
  - 'Energy Portfolio'

Wholesale energy

- Strong trading performance
- Neas Energy performing ahead of investment case
- King's Lynn A CCGT project commenced

Energy insight

- ~44k sensors installed in total
- >1,500 customer sites
- 30 countries
- 11bn data points per month

Energy optimisation

- Integration of Neas Energy capabilities
- >10GW assets under management
- Cornwall LEM trial

Energy solutions

- Integration of ENER-G Cogen capabilities
- >1,400 long term contracted sites
- 13 countries
- ~600MW capacity under contract

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Asset businesses performance and progress

- Over £900m of disposals by end of 2017 as part of £0.5-£1bn programme
    - Exit from wind generation ownership
    - Langage and Humber CCGTs disposal
    - Trinidad and Tobago and Canada E&P divestments
- Cessation of storage operations at Rough
- JV with Bayerngas Norge creating strong and sustainable independent E&P business

E&P joint venture strategic rationale

centrica
E&P
bayerngas

- Like-minded shareholders; strategic alignment on the role of E&P
- Complementary mix of producing and development assets with strong positions in NW Europe
- Robust, self-financing entity with attractive financial profile, enabling reinvestment and distributions
- £100m-£150m of NPV expected through synergies from cost savings and portfolio optimisation
- Opportunity to strengthen entity through further consolidation and joint ventures, including the potential for an IPO in the medium-term

Efficiency programme

- Continued efficiency programme delivery in H1 2017
    - £124m of cost savings
    - ~1,100 direct like-for-like headcount reduction
- On track to deliver £250m of cost savings and ~1,500 direct like-for-like headcount reduction in FY 2017
- Total savings of around £650m by end of 2017
    - Customer-facing re-organisation
    - E&P simplification and efficiency
    - Global support functions
    - Procurement and supply chain

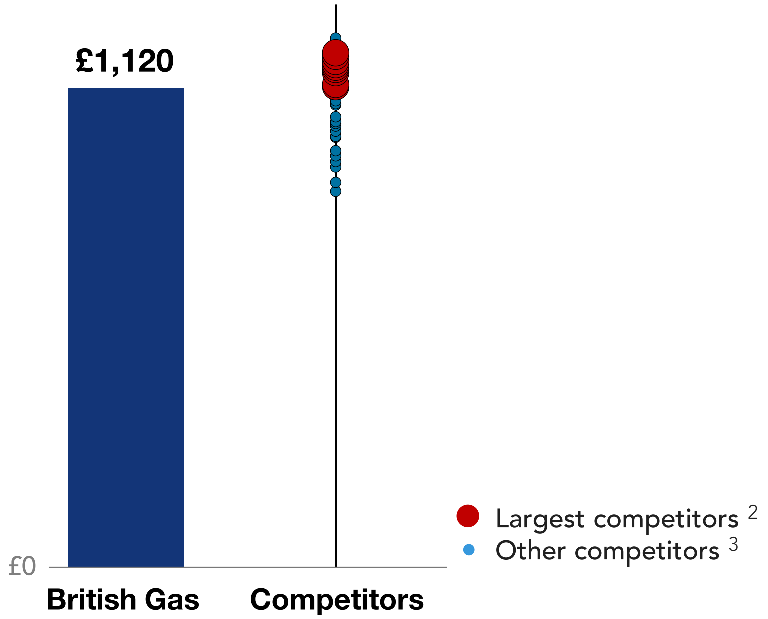
UK energy supply market

- Competitive market with nearly 60 suppliers
- Regulatory focus on effective competition and protecting vulnerable customers
- Prepayment cap effective from April 2017
- Centrica market reform proposal
    - Market-wide ending of evergreen tariffs
    - Level playing field for social and environmental policy costs
- Continue to engage constructively with the Government and Ofgem

UK energy supply competitive position

- 12.5% standard tariff electricity price increase
- First increase for four years
- Increases in transportation and distribution and environmental and social policy costs
- Ofgem Supplier Cost Index – average costs up by 15% per customer [1]
- Competitive standard tariff post-increase
  - Cheaper than 84% of contracts in market
- Protection for additional ~200k Warm Home Discount customers

Average dual fuel standard variable tariff



1. As published in June 2016 , for the period May 2016 to May 2017.
2. Based on Ofgem table referencing the 10 largest UK energy suppliers.
3. All other UK energy suppliers with a dual fuel offering across all regions.

Summary and outlook

- Solid H1 2017 financial performance
- On track to achieve 2017 full year targets
    - Adjusted operating cash flow >£2bn
    - Group capital investment limited to £1bn; E&P capex ~£500m
    - ~£100m incremental growth revenue investment
    - ~£250m of cost efficiencies
    - Like-for-like direct headcount reduction of ~1,500
    - Net debt in £2.5-£3.0bn range
- Company fundamentally re-positioned by end 2017
- Long-term shareholder value through 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

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Adjusted operating profit

Six months ended 30 June (£m)	2016	**2017**	Δ
UK Home	635	**489**	(23%)
Ireland	24	**33**	38%
North America Home	33	**60**	82%
Connected Home	(23)	**(44)**	(91%)
Total Centrica Consumer	669	**538**	(20%)
UK Business	31	**0**	(100%)
North America Business	62	**112**	81%
Distributed Energy & Power	(11)	**(19)**	(73%)
Energy Marketing & Trading	(14)	**105**	nm
Central Power Generation	24	**24**	0%
Total Centrica Business	92	**222**	141%
Exploration & Production	88	**99**	13%
Centrica Storage	4	**(43)**	nm
Total Centrica	853	**816**	(4%)

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Adjusted operating cash flow

Six months ended 30 June (£m)	2016	2017	Δ
UK Home	505	**348**	(31%)
Ireland	58	**70**	21%
North America Home	78	**126**	62%
Connected Home	(25)	**(60)**	(140%)
Total Centrica Consumer	616	**484**	(21%)
UK Business	259	**84**	(68%)
North America Business	121	**147**	21%
Distributed Energy & Power	(19)	**(13)**	32%
Energy Marketing & Trading	103	**220**	114%
Central Power Generation	(30)	**7**	nm
Total Centrica Business	434	**445**	3%
Exploration & Production	336	**276**	(18%)
Centrica Storage	30	**(42)**	nm
Other	(44)	**79**	nm
Total Centrica	1,372	**1,242**	(9%)

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

Net debt

Six months ended 30 June (£m)	2016	**2017**
Opening net debt	(4,747)	**(3,473)**
Adjusted net cash inflow	1,022	**543**
Other movements in net debt	(58)	**(11)**
Closing net debt	(3,783)	**(2,941)**
Margin cash	(359)	**(427)**
Closing net debt including impact of margin cash	(4,142)	**(3,368)**

The items to which the cash posted or received as collateral under margin and collateral agreements relate are not included within net debt. For further detail see note 12 of the Interim Results announcement.