15 December 2016
Centrica plc ('the Company')

Trading Update

Centrica plc today publishes a Trading Update prior to entering its close period on 1 January 2017. The Company continues to make good progress against its strategic priorities and now expects to exceed the 2016 targets originally set out at its 2015 Preliminary Results:

- Adjusted operating cash flow is expected to be in the range £2.4-£2.6 billion.
- Group capital investment, including small acquisitions of less than £100 million each, is now expected to be around £900 million, below the £1 billion limit set as part of the Group's financial framework.
- Efficiency savings of over £300 million as part of the Group's £750 million per annum cost efficiency programme with like-for-like operating costs expected to be lower in 2016 than in 2015, having absorbed the effects of inflation, foreign exchange movements and additional investment in our focus areas for growth.
- Direct like-for-like headcount reduction of over 3,000.

The Company currently expects full year 2016 adjusted earnings per share to be around 16.5p. This improved outlook relative to the half year reflects further benefits from the cost efficiency programme and strong energy marketing and trading performance. Actual financial performance as usual remains subject to weather and asset performance over the balance of the year, and any impact of commodity prices on the year end carrying value of assets.

Iain Conn, Centrica Group Chief Executive
"Our performance in the second half of the year has been strong and we expect to exceed our 2016 targets. We have made considerable progress in reshaping our portfolio and capabilities to deliver a robust platform for customer-focused growth. The Centrica team has performed very well in extremely difficult circumstances. Looking forward we are committed to delivering high levels of customer service, a wide choice of innovative offers and products and enhancing our digital capabilities, as we provide energy and services to satisfy the changing needs of our customers."

2016 second half highlights

- UK Home energy accounts broadly flat since the half year; new tariffs launched; actively implementing the CMA remedies and committed to leaving the standard variable energy tariff unchanged through this winter.
- UK Business continuing to deliver strong working capital inflows.
- Stronger second half performance in North America energy supply and services as expected, following a first half impacted by warm weather.
- Continued focus on customer service with higher NPS and lower complaints in our UK, Ireland and North America customer-facing businesses compared to 2015.
- Connected Home delivery: reached over 500,000 Hive connected hubs in the UK; acquisition of FlowGem Limited, adding water leak detection technology; Hive customers now able to control products through Amazon's Alexa Voice Service; Hive products now being sold in North America.
- Three new distributed energy projects and Kings Lynn A replant all cleared the T-4 capacity market auction in December, in addition to our existing Langage, Humber and Brigg gas-fired power stations and the UK nuclear fleet.
- ENER-G Cogen integration proceeding to plan and Neas acquisition completed. Both acquisitions add core capabilities to the Group.

- Strong energy marketing and trading performance during the fourth quarter, in part reflecting a strong initial contribution from Neas, benefiting from power price volatility and the optimisation of flexible gas contracts.
- First gas produced from the Cygnus field in the UK North Sea on 13 December.
- Divestment of Trinidad and Tobago E&P portfolio announced; Canada E&P and Lincs wind farm disposal processes are ongoing and expected to complete in 2017.
- Twenty wells at Rough gas storage facility returned to service for withdrawal operations; full testing and verification works on all Rough wells expected to be completed by March or April 2017.

Continued focus on reducing net debt and strengthening the balance sheet
Group net debt is expected to be lower at the end of 2016 than at 30 June 2016, reflecting a strong cash focus and capital discipline. The Group will remain focused on cash generation and reducing net debt in 2017 in line with its target to maintain strong investment grade credit ratings.

Centrica is due to release its 2016 Preliminary Results on 23 February 2017.

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

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