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Centrica plc
Preliminary Results

for the year ended 31 December 2020

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.

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Chris O'Shea

Group Chief Executive

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Turnaround of Centrica started

- Major transformation of Centrica underway
- Remained focused on protecting the business and keeping customers warm, safe and supplied with energy during ongoing Covid-19 pandemic
- Increased focus on ‘fixing the basics’
  - Customer service levels broadly maintained over 2020
  - Customer numbers down 2% in year; stable in H2
- Robust cash flows and strengthened balance sheet
  - Net debt down by £0.4bn to £2.8bn
  - £2.7bn Direct Energy proceeds received in January 2021
- No 2020 final dividend declared – intend to restart dividends to shareholders when it is prudent to do so

Helping colleagues, customers and communities through COVID-19

Colleagues

- Appropriate safeguards and PPE in place for field and office-based colleagues
- 15,000 colleagues shifted to working from home
- Supported colleagues with flexible working hours for parents and carers
- Variety of options to support mental health and wellbeing

Customers

- Kept customers warm, safe and supplied with energy and essential service and repair work
- Additional help for vulnerable customers through advance credit (prepay customers) or deferred payments (credit customers)
- Disconnection moratorium for non-payment by Bord Gáis Energy customers

Communities

- Highest volunteer days in a year recorded, including through our partnership with the Trussell Trust, with over 4 million meals delivered by British Gas engineers
- Donated and fundraised to support our flagship charity partners the Trussell Trust, Carers UK and Focus Ireland
- Covid-19 Response Fund created by British Gas Energy Trust to support frontline money and energy advice organisations

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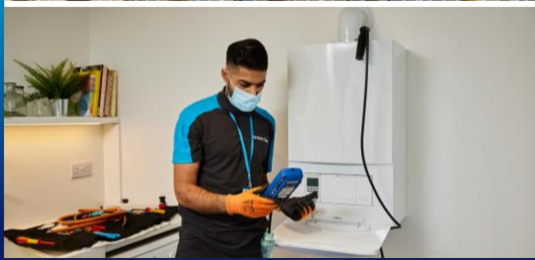
Continued focus on simplifying and modernising Centrica

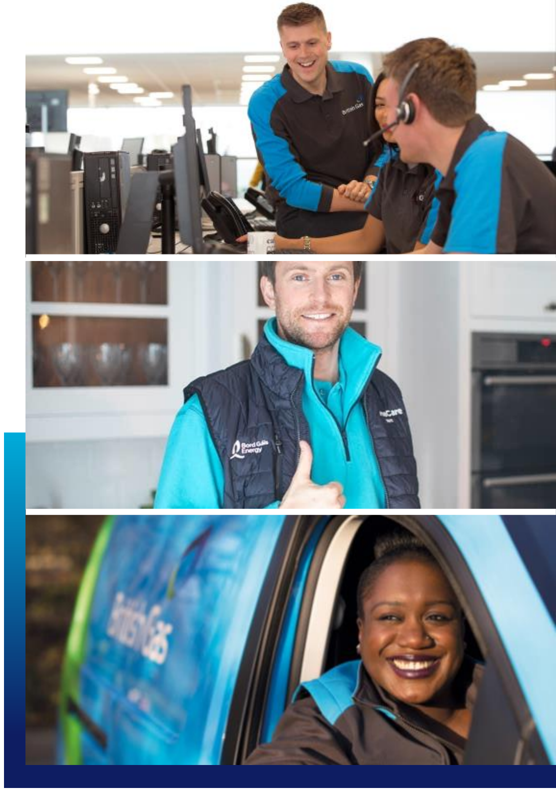
- Creating a more sustainable and profitable company
- Significant Group restructure on track
  - Puts the customer at the heart of everything we do
  - Accelerates planned cost savings
- Direct Energy sale simplifies the Group
  - Strengthens the balance sheet
  - Allows increased focus on core activities
- Further portfolio simplification
  - Intention remains to exit Spirit Energy
  - Nuclear divestment process remains paused



Kate Ringrose
Chief Financial Officer

Group earnings

Year ended 31 December (£m)	2019	2020	Variance
From continuing operations:			
Adjusted revenue	15,958	14,949	(1,009)
Adjusted gross margin	2,834	2,333	(501)
Adjusted operating profit	650	447	(203)
Net finance cost	(251)	(215)	36
Group effective tax rate	35%	26%	(9ppt)
Adjusted earnings	248	165	(83)
Adjusted EPS – continuing	**4.3p**	**2.8p**	**(1.5p)**
Adjusted EPS – discontinued	3.0p	3.7p	0.7p
Adjusted EPS – total	**7.3p**	**6.5p**	**(0.8p)**
Exceptional items and certain remeasurements after tax & MI	*(1,442)*	*(337)*	*1,105*
Statutory earnings	***(1,023)***	***41***	***nm***
Statutory EPS	***(17.8p)***	***0.7p***	***nm***



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Operating profit

ADJUSTED OPERATING PROFIT

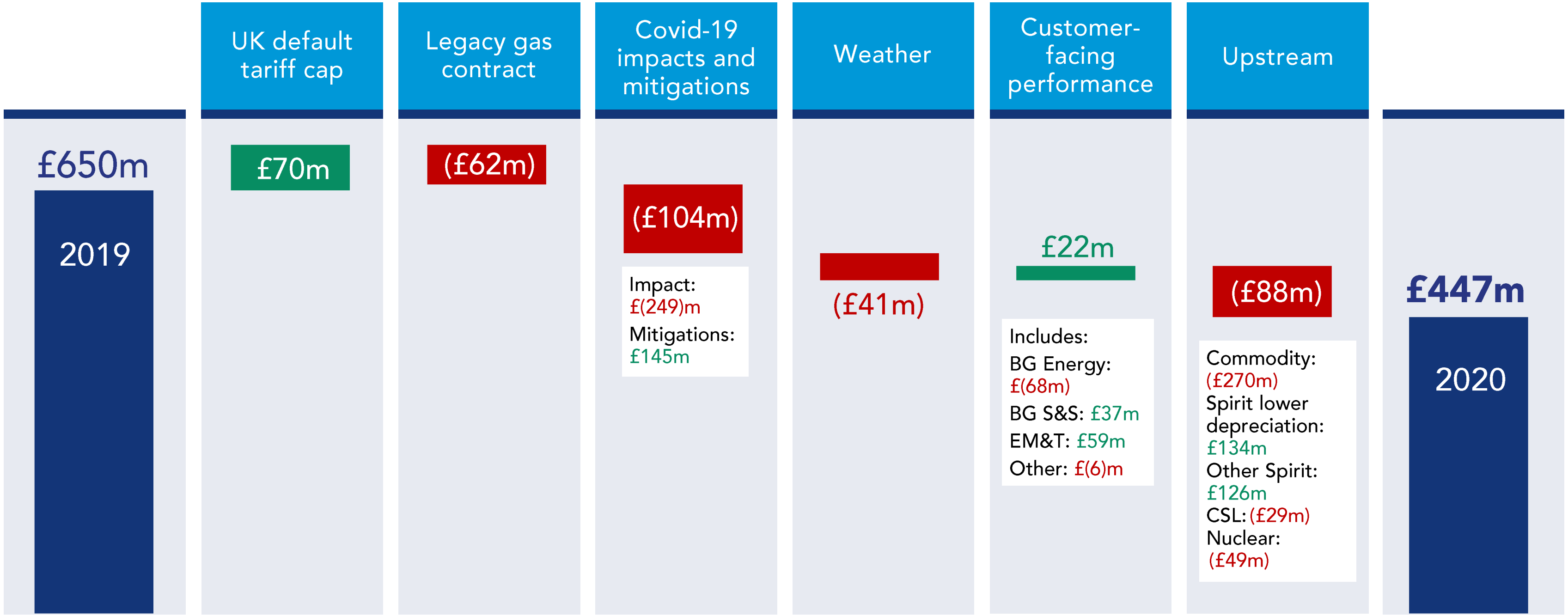
Year ended 31 December (£m)	2019[1]	2020	Δ
British Gas Energy	124	80	(35%)
British Gas Services & Solutions	180	201	12%
Bord Gáis Energy	50	42	(16%)
Energy Marketing & Trading	138	174	26%
Centrica Business Solutions	(20)	(140)	nm
CBS – Energy	*54*	*(55)*	*nm*
CBS – New Energy Services	*(74)*	*(85)*	*nm*
Upstream	178	90	(49%)
Total Continuing Operations	**650**	**447**	**(31%)**
Total Discontinued Operations	*251*	*252*	*0%*
Total Centrica	**901**	**699**	**(22%)**

EXCEPTIONAL ITEMS AND STATUTORY PROFIT

Year ended 31 December 2020 (£m)	H1	H2	2020
Adjusted operating profit from cont. ops	**271**	**176**	**447**
Pre-tax exceptional items from cont. ops	**(1,044)**	**(549)**	**(1,593)**
E&P and Power impairments	*(785)*	*(384)*	*(1,169)*
Centrica Home Solutions impairment	-	*(72)*	*(72)*
Centrica Business Solutions impairment	-	*(78)*	*(78)*
Restructuring costs (incl. pension strain)	*(259)*	*(15)*	*(274)*
Pre-tax net re-measurements from cont. ops	**441**	**343**	**784**
Statutory operating (loss) from cont. ops	**(332)**	**(30)**	**(362)**

1. Refer to slide 23 for a reconciliation of 2019 to prior segmentation.
The above adjusted figures are before exceptional items and certain re-measurements. Adjusted operating profit includes share of joint ventures and associates after interest and taxation.
A reconciliation of adjusted operating profit is provided in the Group Financial Review in the Preliminary Results announcement.

Adjusted operating profit drivers – continuing operations



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

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Covid-19 impacts on continuing operations operating profit

Business energy demand

- UK Business electricity demand impacted by ~15%
- Hedges sold back to the market at a loss

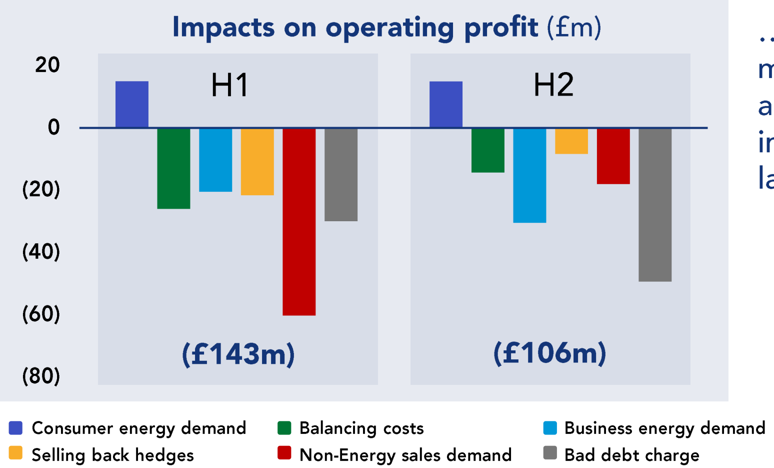
Sales of services and solutions

- UK boiler installs down ~25%
- CBS sales opportunities limited

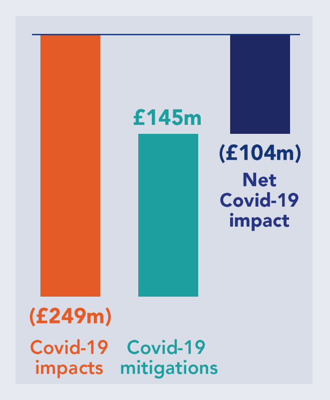
Cash collection and bad debt

- Cash collection broadly in line with prior years
- Group bad debt charge increased by ~£80m to £195m

Significant negative impact on adjusted operating profit from Covid-19, with impacts reduced in H2 vs H1…



… partially mitigated by actions taken in response, largely in H1.



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Robust cash flow and net debt performance

Year ended 31 December (£m)	2019	2020	Δ
EBITDA from continuing operations	**1,778**	**1,336**	**(25%)**
Tax	(80)	(2)	
Dividends received	1	62	
Working capital / other	(246)	(135)	
Net investment	(716)	(456)	
Organic investment (including small acquisitions)	*(784)*	*(578)*	
Divestments[1]	*68*	*122*	
Exceptional cashflows	(264)	(120)	
Free cash flow from continuing ops	**472**	**685**	**45%**
Free cash flow from discontinued ops	494	376	
Total free cash flow	**966**	**1,061**	**10%**

Year ended 31 December (£m)	2019	2020
Free cash flow from continuing operations	**472**	**685**
Interest	(227)	(195)
Dividends – Centrica shareholders	(471)	-
Dividends – Spirit minority shareholders	(124)	-
Pension deficit payment	(235)	(175)
Other financing cash flows affecting net debt	2	(30)
Adjusted cash flow affecting net debt – cont.	**(583)**	**285**
Adjusted cash flow affecting net debt – discont.	**490**	**372**
Adjusted cash flow affecting net debt - total	**(93)**	**657**
Opening net debt (as at 1 January)	**(2,656)**	**(3,181)**
Movements due to transition to IFRS 16	(394)	-
Adjusted cash flow movements	(93)	657
Other movements	(38)	(245)
Closing net debt	**(3,181)**	**(2,769)**
Margin cash balances[2]	(326)	(229)
Closing net debt (including margin cash)	**(3,507)**	**(2,998)**

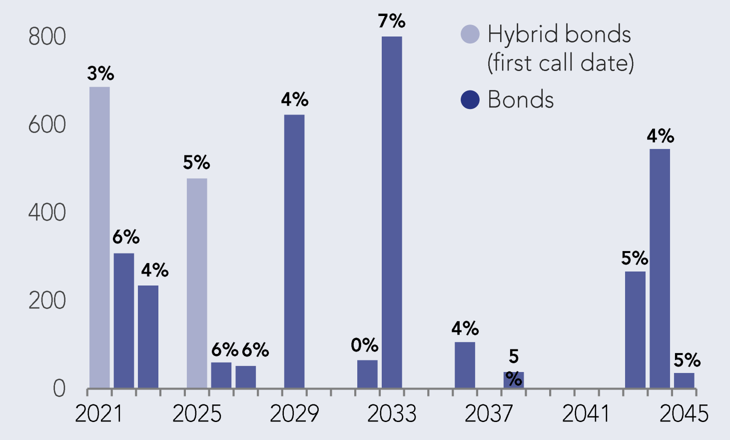
1. 2020 divestments include consideration received for the Kings Lynn CCGT and Danish gas and oil fields

2. 2020 Margin cash includes £(155)m classified as held for sale

Balance sheet restructuring underway

- Net debt down £0.4bn vs end 2019 to £2.8bn
- Direct Energy proceeds of £2.7bn received in Jan 2021
  - Proceeds to be used to reduce net debt and make a contribution to the defined benefit pension schemes
- Strong balance sheet and liquidity
  - £1.1bn of available cash
  - £3.6bn of undrawn committed credit facilities
- Continue to target investment grade credit ratings
- Long dated debt profile, average cost of debt 4.9%
  - Will seek to retire gross debt over time
  - Redeeming €750m 2076 hybrid at first call date of 10 Apr 2021; no plans to replace

Debt maturity profile (£m)

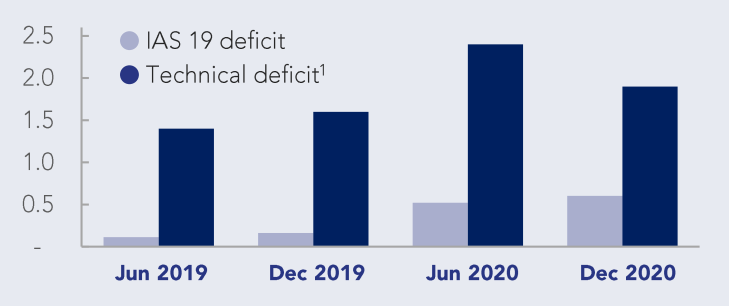


The percentages shown are the average coupon rate for the debt maturing in that period rounded to 1%, and excluding the impact of hedging.

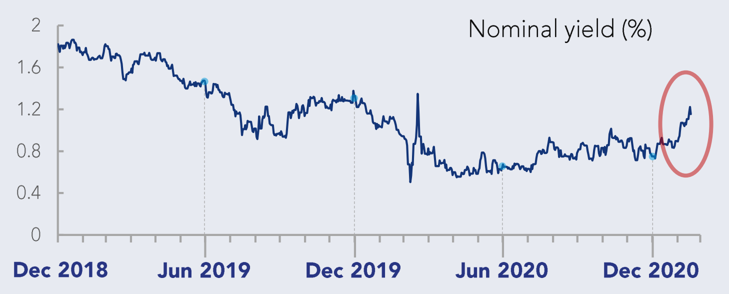
Focus on pension deficit continues

- IAS 19 net pension deficit of £601m vs £163m in 2019
- Further asset vs liability de-risking carried out in 2020
- Assets performed well in 2020 despite market volatility
- Triennial pension funding deficit of £1.4bn at 31 Mar 2018
  - Total contributions £175m p.a. 2020-25
  - Deficit of ~£1.9bn[1] on a roll-forward basis at 31 Dec 2020
- Next triennial pensions valuation date 31 Mar 2021
  - 15 month deadline to agree valuation and contributions
  - Discussions with trustees commenced

Pension deficit (£bn)



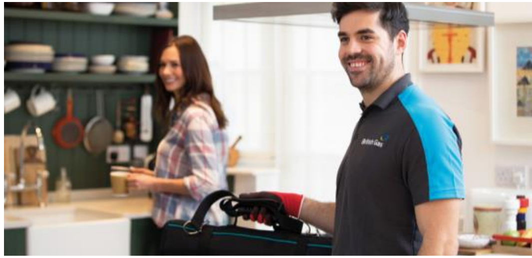
30-year gilt yields



1. On a pure roll-forward basis from 31 March 2018, using the same methodology and consequent assumptions, the scheme funding (Technical Provisions) deficit would be c£1.9bn as at 31 December 2020. The next triennial review is as at 31 March 2021 and the valuation methodology and assumptions may differ from those previously used.

Maintaining a focus on free cash flow against uncertain 2021 backdrop

- Continuing uncertainties from Covid-19 and industrial action
- No 2021 earnings or cash flow guidance
- Year-on-year modelling assumptions
  - Whitegate CCGT outage (~-£25m to -£40m)
  - Higher ECO costs (~-£80m)
  - Restructuring benefits including corporate cost removal (>£100m)
  - Higher commodity prices – but E&P production volumes down 10% and uncertain nuclear volumes
- Continued tight focus on free cash flow
- Well positioned to navigate uncertainties



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Chris O'Shea

Group Chief Executive

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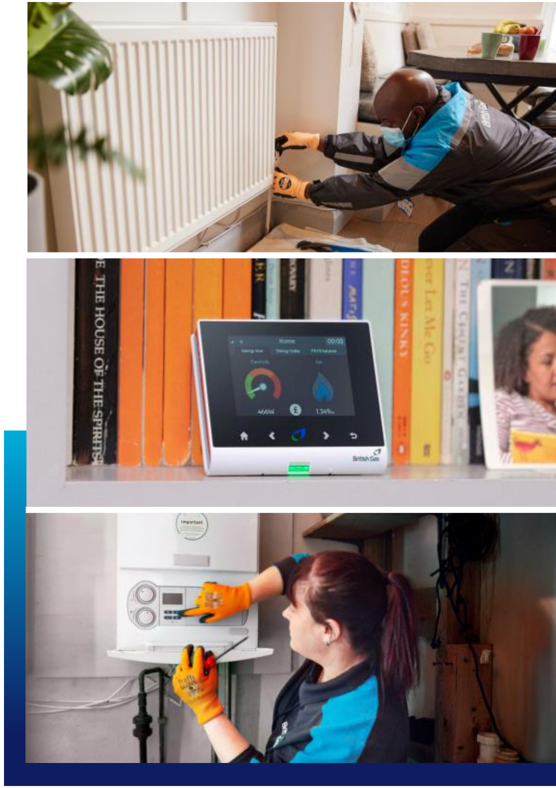
We have a clear vision for Centrica

- An energy services and solutions company
- Simpler, leaner, customer-focused business model
- Engaged and empowered colleagues
- Improved quality, sustainability and level of profits and cash flow
- Reduced risk and a strong balance sheet



We have a clear view on how to deliver the turnaround

- We are prioritising and focusing on the areas where we can win
- We are moving our focus from unsustainable tactical cost cutting
  - Building a foundation for growth
  - Focus on strategic commercial growth opportunities
- We are reducing management obstacles
  - Giving colleagues space to operate
  - Increasing empowerment
  - Increasing engagement and productivity
- We are becoming more agile to improve the execution of our strategy
- All colleagues are focused on our customers

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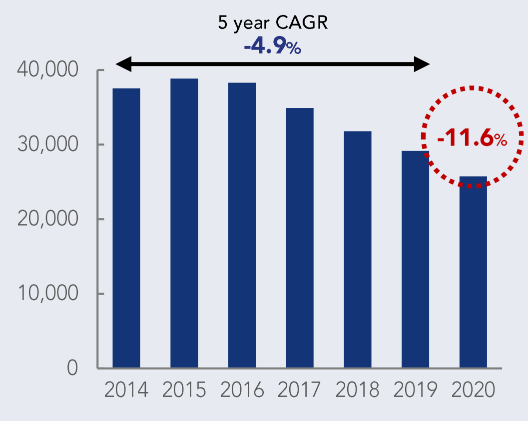
Restructure to simplify and modernise the Group on track

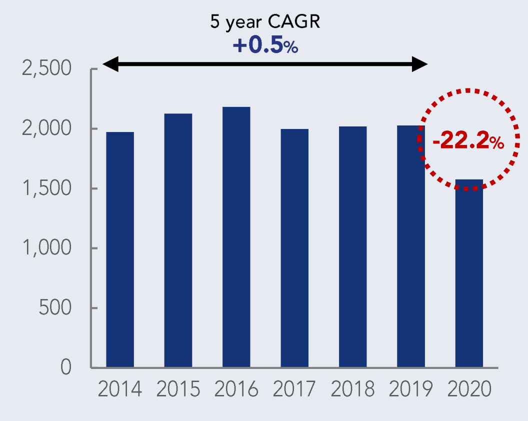
- Layers in the organisation reduced from 11 to 7
- Roles at the three most senior layers halved since June
- Proportion of colleagues in customer facing roles now substantially higher
- New business unit structure in place
- Modernising working practices and terms and condition

What is different to previous restructures?

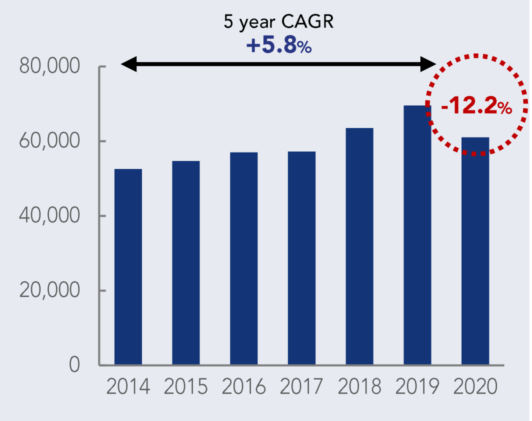
Average headcount



Total wage bill (£m)



Cost per head (£)



- We will manage the business and own the outcomes
- No complicated explanation of efficiencies
- Our cost base will be managed actively

Our focus must return to growth

- Growing customers numbers
- Growing the number of offers to customers
- Growing jobs
- Growing profits and shareholder value

Centrica well positioned for the future

- Leading market positions and capabilities
- Strengthening the business to add value for all stakeholders
  - Investing in customer service and customer retention
  - Reducing overhead costs
- Net Zero a significant opportunity
  - Centrica is technology agnostic
- Creation of 1,000 new apprenticeships
- Enhanced Climate targets
  - Centrica Net Zero by 2045
  - Help our customers be Net Zero by 2050
- Intend to set out longer-term strategy in H2 2021

Appendix

2019 adjusted operating profit

Year ended 31 December (£m) Previous segments	2019 as reported	CHS NA as discontinued	Business Services into British Gas	Solar Provision	Re-allocated corporate costs	2019 restated	New segments
UK Home – energy	137				(12)	124	British Gas Energy
UK Home – services	264		(7)		(5)		
Centrica Home Solutions	(84)	12					
Total UKHS and CHS	180	12	(7)		(5)	180	British Gas Services & Solutions
Ireland	52				(2)	50	Bord Gáis Energy
Energy Marketing & Trading	141				(2)	138	Energy Marketing & Trading
UK Business	48		7		(1)		
Centrica Business Solutions	(68)			(6)			
Total UKB and CBS	(20)		7	(6)	(1)	(20)	Centrica Business Solutions
Upstream	179				(1)	178	Upstream
North America Home	137						
North America Business	96						
Total North America	233	(12)		6	24	251	Discontinued Operations
Group adjusted operating profit	**901**					**901**	

Figures may not add down due to rounding.

Disclaimer: Rules of thumb

The rules of thumb were provided in February 2021 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. 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 24 of this presentation before using this information.
The table shows Centrica's profit after tax (PAT) and free cash flow (FCF) sensitivity to changes in commodity prices on a hedged basis for 2021 as at 8th February 2021

	Movement	2021 Earnings impact	2021 FCF impact
Spirit Gas	5p/therm	~£5m	~£21m
Spirit Liquids	$10/boe	~£10m	~£42m
CSL Gas	5p/therm	~£3m	~£4m
Baseload power	£5/MWh	~£6m	~£6m

Assumes all European gas is sold in the UK.
Sensitivities are based on 90% of 2020 volumes for E&P and 2020 Nuclear production of 9.1 TWh.
Earnings impact assumes blended tax rates of Spirit Energy 70%, CSL 40% and UK nuclear 19%.

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Pension valuation approaches

	IAS19	Scheme Funding
Main purpose	Group's balance sheet	Determines cash funding to schemes
Regulations	IFRS standards	Pensions legislation
Frequency	Semi-annual	At least every three years
Assumptions used		
Determined by	Centrica	Centrica and Trustees agree
Overall basis	Best-estimate	Prudent approach
Discount rate	AA corporate bonds	Reflects schemes' investment strategy

Revenue

Year ended 31 December (£m)	2019[1]	2020	Δ
Continuing Operations			
British Gas	8,327	7,887	(5%)
Energy supply	6,809	6,518	(4%)
Services and Solutions	1,518	1,369	(10%)
Bord Gáis Energy	897	820	(9%)
Energy Marketing & Trading	3,357	2,917	(13%)
Centrica Business Solutions	2,331	2,131	(9%)
Upstream	2,290	1,918	(16%)
Group Revenue included in business performance	**17,202**	15,673	(9%)
Discontinued Operations			
Direct Energy	10,867	9,483	(13%)
Gross revenue	**28,069**	25,156	(10%)
Inter-group revenue	(1,244)	(724)	(42%)
Total Centrica	**26,825**	24,432	(9%)

1. Restated to reflect the current operating structure of the Group.

Adjusted gross margin

Year ended 31 December (£m)	2019[1]	2020	Δ
Continuing Operations			
British Gas	1,591	1,473	(7%)
Energy supply	920	824	(10%)
Services and Solutions	671	649	(3%)
Bord Gáis Energy	149	154	3%
Energy Marketing & Trading	305	281	(8%)
Centrica Business Solutions	282	181	(36%)
Upstream	507	244	(52%)
Adjusted gross margin from continuing operations	**2,834**	**2,333**	**(18%)**
Discontinued Operations			
Direct Energy	1,018	862	(15%)
Total Group adjusted gross margin	**3,852**	**3,195**	**(17%)**

The above adjusted figures are before exceptional items and certain re-measurements.
1. Restated to reflect the current operating structure of the Group.

Adjusted operating profit

Year ended 31 December (£m)	2019[1]	2020	Δ
Continuing Operations			
British Gas	304	281	(8%)
Energy supply	124	80	(35%)
Services	252	256	2%
Solutions	(72)	(55)	24%
Bord Gáis Energy	50	42	(16%)
Energy Marketing & Trading	138	174	26%
Core EM&T activities	135	232	72%
Legacy gas contract	3	(58)	nm
Centrica Business Solutions	(20)	(140)	nm
Energy supply	54	(55)	nm
Solutions	(74)	(85)	nm
Upstream	178	90	(49%)
Spirit	90	84	(7%)
CSL	69	23	(67%)
Nuclear	19	(17)	nm
Adjusted operating profit	**650**	**447**	**(31%)**

1. Refer to slide 23 in appendix for a reconciliation of 2019 to prior segmentation.
The above adjusted figures are before exceptional items and certain re-measurements. Adjusted operating profit includes share of joint ventures and associates after interest and taxation.
A reconciliation of adjusted operating profit is provided in the Group Financial Review in the Preliminary Results announcement.

EBITDA

Year ended 31 December (£m)	2019[1]	2020	Δ
Continuing Operations			
British Gas	471	453	(4%)
Energy supply	223	180	(19%)
Services and Solutions	248	273	10%
Bord Gáis Energy	66	59	(11%)
Energy Marketing & Trading	196	216	10%
Centrica Business Solutions	25	(89)	nm
Upstream	941	612	(35%)
Other	77	83	8%
EBITDA	**1,778**	**1,336**	**(25%)**
Discontinued Operations			
Direct Energy	341	299	(12%)
Total Group EBITDA	**2,119**	**1,635**	**(23%)**

Figures may not add down due to rounding.
The above adjusted figures are before exceptional items and certain re-measurements.
1. Restated to reflect the current operating structure of the Group.

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Net investment

Year ended 31 December (£m)	2019[1]	2020
Continuing Operations		
British Gas	114	69
Energy supply	50	47
Services and Solutions	65	22
Bord Gais Energy	14	14
Energy Marketing & Trading	16	7
Centrica Business Solutions	96	29
Upstream	479	430
Other[2]	66	29
Net Investment	**784**	**578**
Discontinued Operations		
Direct Energy	27	19
Total Net Investment	**812**	**597**
Net disposals[3]	(247)	(122)
Group Net Investment	**565**	**475**

1. Restated to reflect the current operating structure of the Group
2. Other includes Corporate Functions.
3. 2020 divestment includes Kings Lynn CCGT and Danish oil and gas fields

Figures may not add down due to rounding. See pages 75 to 77 in the Preliminary Results announcement for an explanation of the use of adjusted performance measures.

Free cash flow

Year ended 31 December (£m)	2019[1]	2020	Δ
Continuing Operations			
British Gas	177	271	53%
Energy supply	62	12	(81%)
Services and Solutions	115	259	125%
Bord Gáis Energy	60	35	(42%)
Energy Marketing & Trading	41	241	488%
Centrica Business Solutions	(74)	(90)	22%
Upstream	329	193	(41%)
Other	19	37	95%
Segmental free cash flow	**552**	**687**	24%
Discontinued Operations			
Direct Energy	506	401	(21%)
Group total free cash flow excluding tax	**1,058**	**1,088**	**3%**
Taxes paid from continuing operations	(80)	(2)	(98%)
Taxes paid from discontinuing operations	(12)	(25)	108%
Total Group adjusted free cash flow	**966**	**1,061**	10%
Less discontinuing operations free cash flow (including tax)	(494)	(376)	(24%)
Free cash flow from continuing operations	**472**	**685**	45%

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

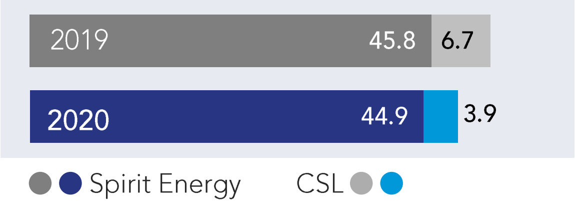
1. Restated to reflect the current operating structure of the Group.

Upstream – Exploration & Production

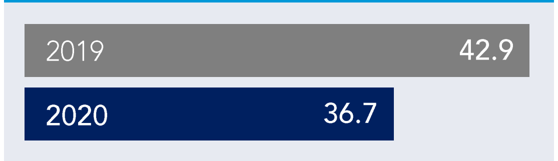
E&P

Year ended 31 December (£m)	2019	2020	Δ
Gas and liquids realisations	1,610	1,297	(19%)
Adjusted operating profit	159	107	(33%)
Free cash flow[1, 2]	301	170	(44%)

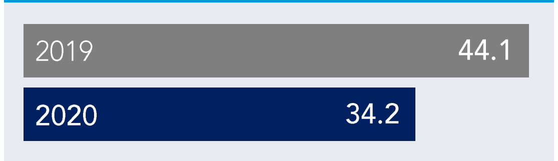
Upstream production (mmboe)



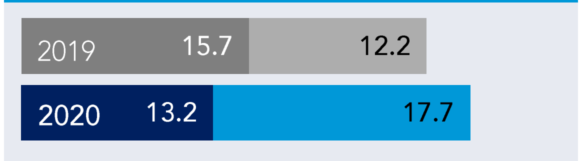
Achieved gas sales price (p/therm)



Achieved liquids sales price (£/boe)



Lifting & other cash production costs (£/boe)



1. 2019 free cash flow restated due to alignment with Group methodology.
2. Segmental free cash flow, as per note 5(f) of the Preliminary Results announcement, excludes tax.

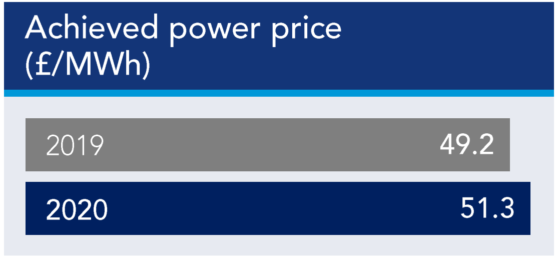
The above adjusted figures are before exceptional items and certain re-measurements.

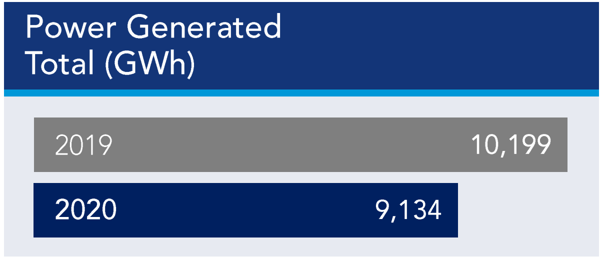
A reconciliation of adjusted operating profit and free cash flow is provided in the Group Financial Review and other adjusted performance measures are explained on pages 75 to 77 in the Preliminary Results announcement.

Upstream – Nuclear

NUCLEAR

Year ended 31 December (£m)	2019	2020	Δ
Adjusted operating profit (£)	19	(17)	nm
Nuclear power generated (GWh)	10,199	9,134	(10%)
Achieved power price (£/MWh)	49.2	51.3	4%

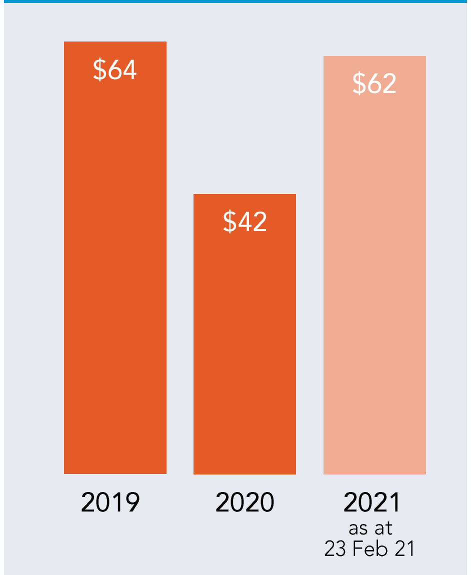




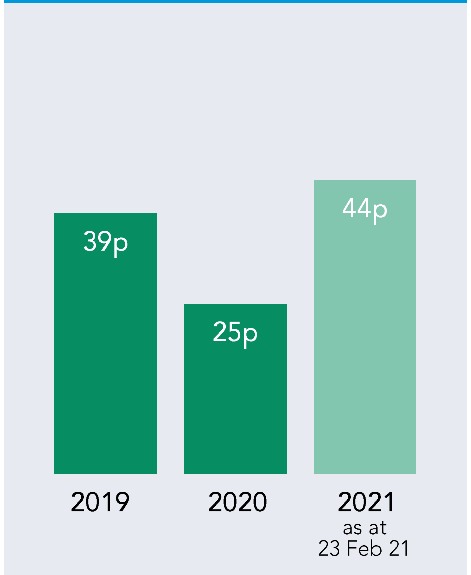
The above adjusted figures are before exceptional items and certain re-measurements. Adjusted operating profit includes share of joint ventures and associates after interest and taxation.
A reconciliation of adjusted operating profit is provided in the Group Financial Review in the Preliminary Results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

Market commodity prices

Average Brent oil prices ($/bbl)



Average UK NBP gas prices (p/th)



Average UK baseload power prices (£/MWh)

Brent oil, UK NBP gas and UK baseload power prices are month ahead prices as at 23 February 2021. Prices are calendar year averages of historic and forward prices.

CDP and TCFD

CDP DISCLOSURE INSIGHT ACTION A LIST 2020 CLIMATE

- CDP is a global non-profit that drives companies and governments to reduce their greenhouse gas emissions, safeguard water resources and protect forests. It was voted the number one climate research provider by investors.
- CDP's annual environmental disclosure and scoring process is widely recognised as the gold standard of corporate environmental transparency, working with over 500 institutional investors with assets of US$106 trillion.
- Centrica has retained the prestigious A rating in the Climate Change Submission.
- 273 worldwide gained a place in the 'A List' of the over 9,500 companies (making up over 50% of global market cap) who disclosed under Climate in 2020. The 'A list' comprises the world's most pioneering companies leading on environmental transparency and performance.
  - Only 20 companies from UK achieved an A grade.
  - Centrica is amongst the top 20 globally within our sector alongside Orsted, EDF, Engie and National Grid.

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

- The 'Taskforce on Climate-related Financial Disclosures' is an organisation with the goal of developing a set of voluntary climate-related financial risk disclosures which can inform investors and other stakeholders about the risks companies face related to climate change.
- We became signatories of the Task Force on Climate-related Financial Disclosures (TCFD) in Jan 2020, and are committed to progressively align with the recommendations and continuously improve our disclosure.