<u>Centrica plc 2025 Preliminary results investor presentation and Q&A</u>
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<u>Chris O'Shea, Centrica</u>

Good morning, everybody. It's brilliant to be here today. And as usual I'm joined on the stage by our CFO and the new YouTube sensation Russell O'Brien for those of you that watched his video no doubt.

Our leadership team are here in the front row and our chairman here as well and a number of other Centrica people.

SLIDE 4 – Laying foundations for the next five years

So 2025 was a year of significant progress, building further on our journey to make Centrica a stronger, higher quality business. Building on the foundations that we've been laying for growth.

We're recycling capital from non-core assets. Investing in assets like Sizewell C, Grain LNG and the Meter Asset Provider. Assets that will both grow and stabilise our earnings profile. Eliminating downside risks.

We're adding long-term value and we're building future optionality.

2025 showed our resilience and our further improved operational performance. But it also had its challenges. Conditions remained difficult for Centrica Energy throughout the year, as it did for many, many commodity traders.

But I'm delighted with what the team delivered in 2025 but as always, I'm looking for more. Now it's a mark of how far we've come that collectively we're not satisfied with 200 million pounds of EBITDA from Optimisation. And collectively we're not satisfied with more than 11 pence EPS in a difficult year. Because our expectations of what Centrica can deliver have fundamentally changed.

Over the last five years we've invested 3 billion pounds, we've returned around the same amount to our shareholders, including increasing the dividend by 22% this year.

Balanced capital allocation, reflecting our commitment to growing the business and to rewarding our owners, our shareholders. We've now bought back a quarter of the company since 2022, at an average price which is well below where we are today, it's in the low 130's. That's real value delivered.

Now we've decided to pause the buyback for now, as we see incredible value creation opportunities for our shareholders from investing the capital that we've got.

Our pipeline is so much richer now than when we started buying back shares in 2022, and some of those opportunities could come through quite soon.

But our financial framework hasn't changed. And neither has our discipline. If the projects don't stack up, we won't invest. And surplus capital will always come back to shareholders. Always.

We expect to invest at least another 700 million pounds this year, maybe more. Mainly in assets that fundamentally strengthen our portfolio. And we expect to continue investing at about the same rate right through to the end of this decade.

That's what underpins our confidence in delivering the 1.7 billion pounds of EBITDA, or better, by the end of 2028. And it's why we can tell you that we'll continue to grow that beyond 2028, to 2.0 billion pounds by 2030. Now both these numbers include the impact of expected, but not yet confirmed, extensions to the four existing advanced gas cooled nuclear power stations into the early 2030's. 2 billion pounds of EBITDA in 2030 would see our EPS more than double over the next five years. But I'm never satisfied, so rest assured my aim is to do even better than that.

By focussing on value we've made Centrica a much stronger business than it was six years ago. We're running the business as well as we possibly can. We're investing in a disciplined way. And it's the same approach that will deliver the next phase of our growth.

SLIDE 5 – Transformation programme underway

We spoke in July about how we saw opportunities to transform Centrica. And our transformation programme is going well. It's a key part of delivering our full potential. We've made progress, anchored on three simple principles, all underpinned by technology.

Number one, improving customer experience further. Number two, driving more commercial growth. And number three, continuing to delivering cost efficiencies.

Now a lot of the benefit will be in the Retail business, but there's huge potential across the entire group.

Last year we delivered net benefits, net benefits, of about 100 million pounds. And unlike other companies, we're not recording the transformation cost in exceptionals. If we had done that, 2025 EPS would have been two pence higher. So another company it would have been 13.2 not 11.2. The programme will ramp up this year, and we expect to take another half a billion pounds out of the cost base by the end of the decade, over and above what we've already done. Underpinning earnings growth and helping to create new opportunities.

Now AI is a part of that, and it's a huge opportunity for us. We're working with world class partners to explore how we can further deploy technology, including AI, but not only AI, to transform our customer service and to reduce costs, and I'm going to lay out some specific examples of that later.

So with that, with the opening, I'm going to pass you over now to Youtuber and CFO Russell O'Brien who's going to take you through the numbers.

<u>Russell O'Brien, Centrica</u>

Okay thanks Chris, and good morning everybody.

SLIDE 7 – Simplifying our reporting

So over the past years we have reshaped the way we run Centrica with a focus on three business units – Retail, Optimisation and Infrastructure. We've taken this opportunity to simplify our reporting, aligning the segments to the way we now run the business.

And we've also shifted to EBITDA as our main performance and guidance metric, which is a better measure for the business as we invest in the portfolio and grow.

Now, I recognise there are a few moving pieces, so I've put a very funny video explainer on the website, as Chris is mentioning, and some other materials just so that no one is confused by the resegmentation and it unpacks everything in a little bit more detail.

The main change is splitting Bord Gáis and Centrica Business Solutions into their component parts. So Irish Retail, for example, is now reported alongside the same UK activities, Irish optimisation within Centrica Energy.

And we've also moved our Irish power assets and our growing Meter Asset Provider to their natural home in Infrastructure.

SLIDE 8 – Financial headlines

So now to the numbers. I'd like to highlight three key points.

First, we've reported solid numbers overall, in the context of external challenges, demonstrating the resilience of our business. Second, our progress on investing and the transformation programme gives us more confidence in our medium-term earnings outlook. And third, our balance sheet remains strong, giving us the financial platform to execute.

Adjusted EBITDA for the year was 1.4 billion pounds, and adjusted earnings per share was just over 11 pence.

We delivered operating cash flow of over 900 million pounds, while we had a free cash outflow of 200 million pounds after doubling investment to 1.2 billion.

And, after returning over a billion pounds to shareholders through the dividends and the buyback, adjusted net cash closed at one and a half billion.

SLIDE 9 – EBITDA

Retail and Optimisation delivered almost 800 million pounds of EBITDA, with Retail contributing 574 million, broadly flat year on year.

Within that, UK Home Services delivered almost 170 million pounds of EBITDA. And the 7 per cent top line growth reflected improvements to our commercial propositions and pricing, and was supported by our razor-sharp focus on costs.

Margins expanded from 4.3 per cent to 6.8 per cent. And we're pleased to have moved into the profit range we outlined ahead of schedule, and there is still much more to come.

Business supply also delivered a strong result.

UK Home Energy Supply and Optimisation both faced external headwinds and saw EBITDA decline. And I'll come back to both of those areas in a moment.

And finally, Infrastructure of 728 million pounds of EBITDA was lower due to a combination of asset sales, realised prices and outages in Q4, offset by a lower than expected loss at Rough.

As usual, you can find more detail on the business performance in this morning's release.

SLIDE 10 – Stronger operational foundation in Retail

As consumer demands change, competing effectively in the retail market requires efficiency, innovation and resilience. And we were behind the curve in many of those areas, but the evidence is clear, we are moving in the right direction.

For the first time in over a decade we grew customer numbers across all of our Retail businesses simultaneously, underpinned by the simplification and the use of technology.

This includes the migration to Ignition, and modernised planning systems in Services. Unlocking commercial flexibility, deeper customer insights and cost efficiencies.

Those dynamics were key to the improvements in Services. Retention is improving, we're building new growth channels, and we're managing margins effectively.

But as ever, we're not satisfied. We're still losing customers we shouldn't be losing and there's more we can do commercially.

We want to continue growing our Retail customer base, but we won't adopt the pricing behaviour we're seeing from some of our competitors. We believe it is unsustainable.

We'll remain nimble, of course, and compete hard, but our primary focus is on delivering value over volume.

And with more insight, we're able to identify and focus on those customers who really want our products and services. Helping get better solutions for them and creating more value for Centrica.

SLIDE 11 – Regulated UK home energy supply returns

Home Energy Supply delivered a resilient performance in 2025.

As expected, the market continued to pivot towards fixed price tariffs, which had a dampening effect on margins. And weather was an 80 million pound headwind through the year in the UK.

Now on the other side, the Energy Price Guarantee scheme reconciliation saw us record a gain of 42 million pounds related to revenue from prior periods that was not recorded at the time. And the results as you've seen benefited from other cost and revenue phasing from earlier periods.

Bad debt remains a challenge, with the latest figures showing over £4bn of debt past due across the industry. And our bad debt charge in UK home energy supply increased to about 3% of revenue.

Now we continue to advocate for Ofgem to take more proactive steps. To help those who genuinely can't pay and address those who can but choose not to. But in the meantime, we do expect those additional costs we faced this year to be recovered in future periods.

And the ups and downs reflect the essence of the UK Home Energy Supply business. Short-term volatility, offset by through the cycle predictability. And since the price cap began in 2019 as you can see our average margin is 2.3 per cent. That's above the 1.9 per cent allowed during the first four years of the cap, and broadly in line with the allowance since then.

Supported by the price cap mechanism, this is a business that generates solid through the cycle regulated earnings and cashflows.

SLIDE 12 – Centrica Energy protecting value in a challenging market

Centrica Energy posted a softer result, primarily driven by gas and power trading. Against that backdrop, we've remained focused on driving long-term value. And 200 million pounds of EBITDA in a tough year is a big step forward from where that business was a few years ago.

RETO, our renewables route-to-market business, again performed well. Assets under management grew by 17% per cent to over 19 gigawatts.

Centrica Energy is now consistently one of the most innovative, responsive and commercial partners to asset owners across Europe, strengthening our ability to grow more in this area.

In LNG, the teams have fundamentally transformed the portfolio over the past couple of years. We're now 100 per cent hedged until 2028, and over 80 per cent until 2030.

So we've protected any downside and retained valuable physical optionality.

Now we're not satisfied with our absolute performance in Gas and Power Trading, but we do take comfort in strong relative performance. In really difficult markets the team generated a positive margin and remained consistently disciplined through the year.

Consciously reducing risk, rather than chasing aggressive positions, is a core principle of how we operate. This limits downside with returns skewed to the upside when markets allow.

In the short term, more rational behaviour is returning, with gas trading recovering a little bit in the second half. But events, as we've all seen in the past week, demonstrate the market remains very volatile and it looks like it will take some time for them to stabilise.
So, given all that we expect Centrica Energy to be below its sustainable EBITDA range for this year.

We remain confident in the longer-term outlook, with earnings supported by expanding our geographic footprint and capabilities, adding further diversification and growth options to the portfolio.

SLIDE 13 – Significant step up in investment and shareholder returns

So of course, the challenges we saw last year demonstrate why it's so important to continue building our predictable, contracted infrastructure portfolio.

2025 saw us more than double investment year on year, spending almost 400 million at Sizewell C, 200 million on Grain, and 225 million in the MAP, which was higher than our target.

After other movements, including decommissioning and disposals, we saw a free cash outflow of 167 million pounds.

We returned 1.1 billion to shareholders in 25, which means we've invested and returned 3.6 billion pounds over the last two years.

The balance sheet remains strong, and we expect surplus capital to emerge over time as the business continues to perform.

But, as we've demonstrated, we keep the balance sheet under close review, and our commitment to maintaining that discipline is unchanged.

SLIDE 14 – 2026 Financial Outlook

Now to the outlook this year.

Alongside streamlining our segments, we've simplified our guidance ranges, but there's no change to the underlying numbers. All we've done is restate on an EBITDA basis.

In 2026 we expect Retail to be in its EBITDA range of 500 to 800 million pounds. And that's after the transformation spend in the year.

We currently expect Optimisation EBITDA to improve somewhat relative to 2025 but remain below the medium-term sustainable range at around 250 million pounds.

And assuming the second Spirit Energy disposal completes around the middle of the year, we see 500 to 650 million pounds as a sensible range for Infrastructure, including importantly about 175 million from the key regulated and contracted assets. As a reminder, earnings from the Spirit disposal assets will continue to be recorded through the P&L until the transaction completes later this year.

We also assume Rough will be around break-even, driven by a continued focus on optimising indigenous gas sales and cost discipline.

We expect investment of at least 700 million pounds. This includes transformation, further investment into the MAP, and our power assets, including Sizewell C.

Today we've also laid out guidance on interest and tax to help with your modelling, including a structural decline in the effective tax rate as we pivot the portfolio away from highly-taxed Spirit Energy earnings.

SLIDE 15 – Transformation presents a significant opportunity…

So we're all excited about our transformation programme which has accelerated over recent months and underpins our plan to deliver top-line growth while driving underlying efficiencies through the organisation.

Our operating cost base is just under 2 billion pounds excluding bad debt and depreciation.

3% annual inflation on that is a 300 million pound earnings headwind by 2030. So driving cost efficiency is both a huge opportunity and a necessity.

And we're ramping up multiple work streams, and we're already taking actions that are making a real difference, which Chris will talk about shortly.

SLIDE 16 – …supporting growth on a flat cost base

In 2025, we reduced opex by 3 per cent, net of inflation and costs to achieve of £100 million pounds.

Looking forward, we aim to deliver a further half a billion pound reduction by the end of the decade. And we have around half of those savings identified already and are working hard to lock in the remainder.

That means we expect our nominal cost base to remain broadly flat by 2030, with efficiencies fully absorbing inflation and the costs of supporting growth.

And from what I can see today there will probably be about 600 million pounds of cost to deliver those benefits; around 400 million pounds of opex and a further 200 million pounds of capex. And we will be as disciplined in our opex investment as we are deploying capital generally.

The earnings benefit will come through over time. As Chris says, we'll be transparent about the costs, and we don't expect exceptional charges.

We want to give you the tools to assess our performance. And more importantly, we want to ensure our colleagues are fully focused on delivering value.

SLIDE 17 – We remain focused on value creation

So to summarise.

Centrica's performance in 2025 was resilient in the face of some external challenges.

The assets we've brought into the portfolio over the past year mean we're increasingly confident of being able to maximise sustainable earnings, the foundation of our financial framework.

And we're successfully balancing rewarding our shareholders with retaining the strength to support our growth ambitions.

With that, let me hand back to Chris.

Chris O'Shea, Centrica

SLIDE 19 – Structural trends are driving a once in a lifetime investment cycle…

Thanks Russell.

The trends shaping the energy system became ever clearer in 2025. UK electricity demand grew for the second year in a row, following many years of decline, and intermittent generation rose to over a third of total supply.

Looking forward, demand growth will accelerate, and renewables penetration will continue to grow. So will the need for zero carbon baseload electricity, dispatchable back-up electricity generation, and electricity storage to keep energy secure and affordable for the households and the businesses that will drive the economic growth the UK needs.

There's a once-in-a-generation investment cycle underway to meet these growing needs. The challenges of delivering new projects are real - planning, grid connections, supply chains – none of this is easy. A couple of years ago you could pretty much pick up a gas turbine almost off the shelf. Today there's a five-year waiting list.

So existing capacity will also be needed for much much longer and as you can see, the expected proportion of gas-fired electricity generation in the mix in 2040 has almost doubled.

That creates huge opportunity for us and it's why we believe our strategy is the right strategy. Focused on the assets that will be needed to support a fair and affordable energy transition, whilst remaining pragmatic and retaining the flexibility to adapt, however the transition progresses.

SLIDE 20 – …and we are now well positioned to take advantage

The right strategy is one thing but it must be coupled with the ability to deliver.

And that's way more than about reshaping the portfolio. It's about way more than that. It's about rebuilding a platform that allows us to compete in a rapidly evolving retail market. And about building the capability to identify, develop and operate the infrastructure assets that will define our future.

Now we've now got the foundation, and the transformation programme that will help us deliver this next phase. Focused on the core areas I mentioned earlier. Customer service, commercial growth, cost efficiency.

SLIDE 21 – Transformation programme already addressing focus areas…

Transforming customer service is critical to our success.

We have made progress improving our digital contact channels, but we're consistently identifying more areas for improvement. Our aim is to reduce contact by at least 30 per cent. Now it's not that we don't like speaking to our customers, we really do. It's that we want to give them fewer reasons to contact us. We want to use technology to help us make their lives easier and to offer more relevant products and more relevant services.

Now if we achieve that, that will be a significant efficiency gain, but we want even more. We're also aiming for a further 40 per cent of customer contact being handled through enhanced digital channels, including far more use of AI to support our colleagues.

By ramping up our use of technology, we're freeing up time to solve the thorny issues. The really difficult issues for our customers and to drive commercial performance.

Creating the right jobs, in the right places, as we grow our business.

We're investing in the skills and capabilities that we need for this future, rewiring how we work to sharpen accountability, to grow expertise, and help us serve customers far more efficiently.

That extends to our central functions. We've reduced headcount there already by around 5 per cent, mainly by eliminating duplicated roles following the restructure of the business. And by embedding new, more agile ways of working we can make our core processes much much more efficient. The savings potential from this area alone is well over a hundred million pounds a year.

Improving our commercial performance is still the biggest opportunity we've got to grow the business. Russell mentioned the success we've seen in Retail. There's no magic behind the improvements. They've been driven by focusing on the details of our processes. Getting to the root cause of poor performance and identifying the solutions.

Now take boiler installations as an example. We've seen declining profitability there for a year for years which was a bit of an issue.

But by working to improve each individual step of the process for example job pricing, scheduling, we were able to unlock a 20 million pounds profit improvement. That was a key contributor to the better performance in Services last year, and we are already moving on to the next target areas.

We're implementing a combined customer lifetime value model across Retail so that we can identify opportunities to maximise value across the group.

Now that might mean that we trade off value in one part of the business to secure more value elsewhere. We're happy to do that. The overall Group benefit is what matters. This is only possible by having the right people, in the right structures, with the right data. The same capabilities that are supporting our investment programme.

SLIDE 22 – …and a step change in investment…

Disciplined investment is central to our progress and is essential to our future growth, driven by the stronger capabilities we have built across our Infrastructure businesses. Power under Dave Kirwan, Gas under Martin Scargill, and Spirit Energy focused now on Morecambe Net Zero. Teams with deep technical expertise, proven operational discipline and a value-focused mindset that creates broader growth options for the company.

In Sizewell C, in Grain LNG and in the MAP we're investing in high quality, long duration, regulated and contracted assets that will fundamentally reshape Centrica and deliver critical national infrastructure for the UK. We're doing a similar thing in Ireland with our peakers.

Now we made our initial contribution to Sizewell C in November. We've got earnings in 2025 relating to Sizewell C and earnings will grow in a predictable way for the next 15 years. We expect our share of the RAB to grow to around £8 billion pounds by commissioning. That will be against a net equity investment of around £500 million pounds and project financing of £5 billion. Real value creation, with very very low risk.

The MAP is also a real success story, it's hugely outperforming our expectations, the expectations we had when we set the business up. We installed over a million meters last year, which make us the fastest growing MAP in the UK. We've now got more than 1.6 million meters on the wall. Just around 2 years after we set this business up.

The capabilities we've built are unlocking further growth opportunities both in the UK and overseas. Dan, Gareth and the team deserve huge credit for what they've achieved, but they don't get any special treatment. Now we've seen what they can deliver in 25 I expect even more this year.

We're still early in the ownership journey for example at Grain, but the value of the asset is clear. Earnings are highly contracted, and the importance of the terminal will only increase as the UK becomes ever more reliant on imported gas. And I've been delighted to see the strong alignment we have with ECP, our partners, on the key priorities for the asset, and I'm confident we've got the right team in place to deliver on the full potential of this absolutely critical business.

Now we've got to acknowledge that not everything has gone completely to plan. Commissioning for example of our Irish peakers has been delayed, and there now due around the middle of this year.

That's partly due to grid connection delays, and we've secured a modification to the capacity market contract, to compensate for that. Mitigating the value impact.

But it also reflects missteps that we made as we build back our construction capability. We're not happy about that, but we have learned valuable lessons that we are confident will be applied to future projects. But we've not really built big infrastructure for over a decade.

Now we've also been proactive in managing our portfolio, recycling capital from non-core assets you saw our recent disposal last month. Portfolio simplification has allowed us to accelerate value, sharpen our strategic focus, and reduce our exposure to commodity price volatility.

SLIDE 23 – …means Centrica will look fundamentally different

Collectively, the actions we're taking are fundamentally reshaping our company, steadily shifting our portfolio towards more regulated more contracted earnings.

Now as Russell laid out, Home Energy Supply has a regulated underpin while Services and B2B both generate more stable cash flows from contracted activities.

The trajectory in the existing Infrastructure portfolio is very very clear, and we've got several opportunities that could even accelerate that pivot.

The Government consultation which will decide the path forward at Rough closed yesterday and we expect a public update hopefully later in the first half. We're optimistic about the outcome given the critical importance of gas storage to the UK's energy security which was acknowledged both in the consultation document and by NESO recently.

But we remain super focused on the value proposition and we won't keep Rough open speculatively; we need clarity to justify redevelopment.

The government is also due to publish a decision on financial support for nuclear life extensions over the next few months, including a potential CfD at Sizewell B to underpin a 20 year asset life extension.

These are two very clear opportunities to pivot merchant exposed assets to regulated exposure and to substantially extend asset lives.

Even Centrica Energy's got an element of predictable, fee-based earnings and has materially reduced downside risk in the LNG business. Way beyond I think what people appreciate.

If you look further ahead, the steps we've taken to expand our organic growth pipeline – for example our partnership with X-energy and further development opportunities at Grain – allow us to be disciplined, to focus on the most valuable opportunities and to adapt as the energy transition develops.

SLIDE 24 – Further opportunities supported by deep market insight

Our investment focus remains the same – assets that support security of supply. Assets with a regulated and contracted underpin and where we can add value through optimisation. Assets where we can bring our incredible capabilities and our extensive experience to bear.

Now we will remain a predominantly UK and Irish business for the foreseeable future. But we don't restrict ourselves by geography. We're focussing on areas where we have, or can build, a durable competitive advantage that will allow us to create more upside than if we just focused exclusively in one or two countries.

So, I would hope that in five years, Centrica will be more geographically diverse. But it will be in targeted places where we have deep market experience and insight primarily from our trading activities in Centrica Energy. That's what supported us investing in batteries in Belgium and Sweden, and it's how we can deliver future value from future opportunities.

SLIDE 25 – Retail and Optimisation growing from 2025, Infrastructure pivoting

We told you in July that we were targeting above 1.6 billion pounds of EBITDA by the end of 2028, underpinned by the transformation programme. That's unchanged.

Within that, Retail and Optimisation will deliver growth, while Infrastructure pivots from merchant to regulated exposure.

By 2030, we expect Retail to reach around 800 million pounds. As Russell explained, we can keep opex flat in nominal terms with top line growth flowing through to higher margins and higher earnings.

And that's after a couple of hundred million of additional opex that we put in to support the growth that we see.

Expanding our capabilities means Optimisation can move back towards the top of its existing range, about 400 million pounds of EBITDA, with opportunities to do much much better in the right conditions.

So that's 1.2 billion in total.

We expect Infrastructure to grow to about 800 million pounds of EBITDA by 2030 and that assumes further nuclear life extensions, and almost two-thirds of earnings from regulated and contracted sources from infrastructure by that point, up from less than five per cent today. Far higher quality earnings.

SLIDE 26 – EBITDA increasingly underpinned by contracted and regulated earnings

If you bring that all together, we've got good visibility of reaching 1.7 billion of EBITDA – by the end of 2028.

That's underpinned by the 4 billion pound investment programme we've already told you about. And depending on the opportunities, we may spend even more than that. As long as the value is there. Beyond 2028, we expect to continue investing at the same rate, around 6 to 800 million a year, until the end of the decade, but only if we see the value.

By 2030 we're aiming for EBITDA of about 2 billion pounds, with around two thirds of that EBITDA coming from businesses with regulated and contracted earnings.

Now of course, there's going to be a range around those numbers to reflect in-year performance, there always will be. But that range will tighten as we grow the share of lower volatility, more predictable, more contracted more regulated earnings.

And given the structurally lower tax rate of the new infrastructure we're building, post-tax earnings will accelerate faster than EBITDA. We're aiming to more than double our EPS in the next 5 years by 2030.

SLIDE 27 – Creating a fundamentally stronger and higher quality Centrica

So the picture is clear – we're building a fundamentally stronger, higher quality more predictable Centrica.

A Centrica which continues to morph from a gas company with a shrinking asset base heavily exposed to merchant prices, into a power company with a growing asset base, underpinned by a substantial proportion of contracted and regulated returns.

Our operations remain resilient, even in a year marked by external challenges.

We've made real progress reshaping this business - more regulated more contracted earnings, reducing downside risks, creating upside opportunities. Delivering against our investment programme, and recycling capital from non-core assets into higher-quality growth opportunities.

At the same time, the transformation programme is taking hold, it's supporting earnings today, 100m of benefit in 2025, and it's laying the foundations for the future.

Now 2 billion pounds of EBITDA by 2030 and more than doubling EPS is ambitious, but it is very achievable I am very confident of that.

To do that, we will continue investing. There are fantastic opportunities for us to deliver value by doing that. Super opportunities.

Centrica is a far far stronger company than it was five, six years ago. It's even a far stronger company than it was just a year ago.

We've built resilience, we've diversified our earnings, and we've created huge optionality for the decade ahead. We're really looking forward to delivering on that opportunity for our colleagues, for our customers, for our shareholders. To creating real value.

So with that I'm going to stop talking with an aim of making 30 minutes, I've probably gone slightly over so I apologise for that. Russell and I would be delighted, my god Ajay's got his hand up already, we'd been delighted to take your questions and I'm sure a lot of them are going to be number questions on the videos we put on this morning so with that were happy to take your questions.

Now there's no questions on the phone from online but if you're online you can type your question I think, Fraser is going to have a speaking part later to relay those questions and we trust Fraser that they're not his questions and there actually coming from online.

Q&A

Ajay Patel, Goldman Sachs

Two questions. Just one on the 22 pence of earnings. So your capex beyond 28 runs at 6 to 800 million. If you look at that and you think towards the end, you should be around still net cash or broadly breakeven. What assumptions have you made about buybacks in that 22p. Or alternatively, is there balance sheet headroom here to further invest or return to investors when the right opportunity arises?

And I heard really good comments about risk mitigation, you know, the hedging that you've done on the LNG, the investments you're making to make a higher quality business. But your credit metrics don't change over the last three or four years. I imagine that should start to bear some fruit which should only accelerate the opportunity you have for growth and value creation.

And then the last one, I'm being a bit greedy here, so apologies. Just on the assumptions. What do you assume in the numbers for 2030 for commodity prices? Obviously, quite a lot of volatility. So it's just to help us understand what are you sort of holding yourselves like, for example, are you making any assumptions around rough gas storage, Sizewell B, what gas price assumptions, what power price? Anything you can give us on here just to help us really believe in that achievable 22 pence that you talk about.

Chris O'Shea, Centrica

So most of those I think of a Russell let me touch on briefly, you mentioned the hedging and LNG just to explain what we've done there. I don't think the doubling of the share price is dependent upon us having lots more buybacks. So potentially capacity in there. But on LNG, those of you that have covered the company for quite some time will remember when we had just the Sabine Pass contract, we basically bought US LNG in a Henry Hub index and the sink market was NBP or TTF in Europe and the closing cost was 300 million dollars.

So if we didn't lift any LNG we'd have a 300 million dollar liquefaction fee to take. Now if Henry Hub is low and European gas prices high, happy days. But if that's not the case, then it could be slightly more stressful. What the team have done, I think unbelievably well and it highlights one of the benefits within Centrica is over the last couple of years we've entered into deals with US domestic gas producers, effectively to buy gas off them, at a European gas index.

So we went to producers and said, look, would you like to diversify your range of income? Those that don't sell LNG so you can some Henry Hub exposure and some TTF exposure and they said yes. Ultimately what's happened with a number of deals is we now, effectively have taken out the basis differential risk. So we now effectively buy Cheniere on a European gas price index.

So we've matched the sink sale market and the purchase. So the index risk has been taken out, which is, which is absolutely huge, massive de-risking of the portfolio. What that's then done is it's given us a position in physical pipeline gas in the US and that's given us the encouragement to open up we're opening an office in the US now so those deals make sense just to de-risk a huge risk part of the portfolio.

But what we like to do in Centrica is to look for optionality. So by doing that, we've now got a team in the US on managing our domestic gas position and they will deliver value from that. When we get into power trading in the US we did that from, you can do that financially, we did that from Denmark mainly, but now we've got a team there. We intend to grow that business. And the reason I wanted to kind of pause on that is I'm not sure people realise we've taken that risk out of the Cheniere contract, but it highlights what we like to do in the company.

Let's do something that makes perfect sense, but it's got potential upside. So now with the loads of difficult questions on our assumptions and if I got that wrong on assuming buybacks, Russell, please tell.

<u>Russell O'Brien, Centrica</u>

So let me just sort of walk you through the spreadsheet a little bit of how we got to those numbers, which might help everybody. So of course the 2 billion pounds worth of EBITDA by the end of 2030. So capex wise, we assume we complete the 4 billion pound program by the end of 2028. And as a proxy for now, we've assumed that we have 6 to 800 million pounds worth of capex in the years thereafter, which will begin to generate a little bit of additional earnings.

There's no assumption for additional buybacks in the share count number. That's not because we're not going to do buybacks just to keep your modelling very simple, so as surplus capital emerges and buybacks become an opportunity, that's definitely something we're looking at. You'll remember last year I took you through a waterfall of how the balance sheet will evolve in the coming years to end of 2028.

Nothing really has changed there. So we see that we will invest in the next couple of years, but also begin to build up positive cash flows and rebuild our balance sheet strength. And that gives us optionality either for more investments or returning surplus. So you can use that as a proxy I think, for modelling still.

The other thing that's important I think on the modelling is when you look at that headline EBITDA and try and work out how that goes down to EPS, you've got to remember that the tax rate of Centrica will be going down in the coming years. That has a sort of amplification effect on the EPS. You know, we've got the second big Spirit divestment this year. Once we've cleared that out, you can see the tax rate will be getting a lot closer to this sort of 25%.

Risk mitigation you asked about and credit metrics and those types of things. So you said it's been the same for the past couple of years, which is actually not correct.

So if you go back to the summer and you read the S&P review of Centrica, we were very happy to see that they have started to give us credit for the investments we've been making in the past couple of years. So the FFO to net debt metric of 50%, which has been there in the past, has now been adjusted to 45%.

But more importantly, if you read the schedules and the outlooks that they're guiding for Centrica, they say if you continue to invest in rateable regulated contracted assets, we do expect that those metrics will be further loosened. Now, we haven't got that yet. We've got some adjustments we've got to make through the Grain LNG deal, for example. But we're definitely going in the right direction in terms of credit metrics.

And as you look through that period to 2028 and 2030, the proportion of cash flows as Chris just laid out, going from 45% regulated up to 70%, should help the metrics in a in a good way.

Assumptions, we don't do anything too clever. We just look at forward curves in terms of commodity prices, gas prices, power prices. Gas prices will have a very limited effect on the group by the time you get to the end of this decade. And for Rough, those numbers were basically assuming zero, given the uncertainty there.

Sizewell B will be on a merchant basis. But of course, as we've outlined, there are discussions of potentially getting a CFD for that asset, but that would probably be a longer timeframe than the one that you're looking at. And if we continue with the nuclear reactors we're just using, for the four AGR’s, forward power prices.

So that's how the model works.

<u>Ahmed Farman, Jefferies</u>

Thank you for taking my questions. Chris, I wanted to start your comments around the pipeline for future investments. When you referenced pausing the buyback, is that is that a topic that we are going to see material clarity over the course of this year? And I just want to obviously, we understand sort of the Rough discussion that you referenced earlier, but what else is in that pipeline so interested to sort of get more on it.

I also wanted to ask you about sort of the nuclear life extension. So you sort of reference Sizewell B, but is there a opportunity to get meaningful nuclear life extensions on the rest of the fleet as well? And is that sort of reflected in the doubling of the EPS by 2030, or is that sort of just based on as you sort of see things today?

And then maybe a question for Russell. Russell I'm trying to just sort of understand a little bit better your guidance for 2026 and where that may differ from consensus. So if I add the various divisional data points that you have given us on EBIDTA and then adjust for consolidation for sort of last year, it's feels like almost 1.4 billion group EBIDTA, which is not very dissimilar from where consensus is so is that sort of a fair interpretation.

So and then it just seems to me sort of the big difference really versus where consensus expectations is on the interest cost. Again, you know, please tell me if you disagree and I'm just trying to understand why is the interest cost that variation, if you can give us some colour on that.

Thank you.

Chris O'Shea, Centrica

Okay. There's quite a lot in there. So I would hope we get material clarity through this year. So the Government's gas consultation closed yesterday. We made a submission under that. I thought that was I was really pleased to see it. I wish it come out a little bit earlier but you know, very pleased to see how it was written and it certainly recognised the importance of gas, the importance of gas storage, as did NESO's recent report, and as the UK's largest gas storage facility I think Rough is very well placed.

So I feel more confident about Rough, but I'm also very clear eyed about it. So either we get something that makes sense for us to unlock the 2 billion pounds, create over or just under 5000 jobs in the construction phase, or we don't. This is why we keep a huge pipeline of opportunities so that and there have been things that we've had in the pipeline that we've walked away from days before signing.

And we can do that because we know we've got other stuff there. So Rough would be one, I would hope. We have been discussing more about X energy. So the Government's recent publication of how it'll support small and advanced modular reactors is asking for submissions by the or sorry starting on the 4th of March.

Clay Sell, the Chief Exec of X-Energy and I we're talking and in seeing government last week talking about this and we expect to submit something hopefully on the fourth, but you know, sometime around then. And what that will do is lay out what we would be looking for to advance probably a maybe 10 billion investment or so, 9 or 10 billion for Hartlepool for one gigawatt in Hartlepool.

But what it will lay out is we actually see this as being a 50 or 60 billion programme. So about five or six gigawatts of these reactors across sites in the UK. And you know, again, a lot of these things are kind of binary because you either get the support framework you're looking for or you don't.

But the government are super keen on nuclear. There's cross-party consensus on that between the two main parties because Sizewell C was started by the previous government and finished by this one. So it's an area where they all seem to agree, we think X-energy is some of the best technology out there. We're still looking at Rolls-Royce SMR technology as well, and we see a huge opportunity. So that's something that we could see.

Now, I don't think you're going to see massive capex on that in 2026 because you've probably got several hundred million pounds of pre-FID expenditure on that to make sure that the sites are right. But I hope we'd get some acceleration there. Morecambe net zero progressing quite well also. And so we saw the National Wealth Fund coming in to take a proportion of the costs in the feasibility study for the pipeline from the Peak district cement producers over to the West Coast, East Irish sea but the west coast of the UK, and it specifically recognised the role of Morecambe.

So those are opportunities that we see quite substantial upside and hopefully we get some clarity. We expect to take final investment decision on the cash flow peak in Galway and Ireland. That's probably 340 MW, so that's probably 4 to 500 million euros I think, you know, we're looking at a slightly lower number, but I think you're looking at over a million pounds a megawatt I think for construction. So that's probably I would estimate I don't know if Dave's listening, if he is, I still expect a low price, but I would estimate about 500 million euros that I'd hope to take investment decision this year.

Again, if we get to the point where we say the numbers don't add up, we won’t do it. So there's quite a lot in there. There's also some stuff we're looking at. We have been very open that we're looking both an organic and inorganic options. The inorganic options are more likely to have more of a skew towards contracted and some merchant exposure a bit like Isle of Grain.

And the reason for that is we don't have the cost of capital to compete with others to buy existing regulated asset based businesses. That's why we're creating them and that's why we helped to create Sizewell C, we want to create that in Rough, we want to create that in Morecambe because it just wouldn't make sense for us to compete against people with a cost of capital 2 or 300 bps below ours. So we hope that we'd get some there.

On the nuclear extensions. To be super clear, the 1.7 billion of EBITDA was 1.6. The difference between those two numbers is we expect extensions. So two of the plants two of the advanced gas cooled reactors are due to go out at the end March 28. We expect those to be extended.

If they are not extended, the guidance is 1.6. So there's just under 100 million in there. The other two are due to go to service I think in March 2030. And so the there's probably 10% of the 2 billion EBITDA which relates to having the four advanced gas cooled reactors working all through 2030. So it's not purely dependent upon that, the numbers are in there.

Now I don't think these things will be going by 2040. I don't even think that we go by 2035. I think we will, we have to watch the degradation in piping in the boiler work and the graphite core. And I think we will get a series of one or two year extensions. But at some point it will be a case, we’ll say we’ll have to shut these things down because they’re nuclear they have to be safe. So I'm increasingly confident we can get them going to the 2030.

Hartlepool's been out for quite a while, which is frustrating, but effectively that's less, we had a day or so and you add that on to the end. So I think we'll get those extensions.

I think I think I said before, if, if we were offered the chance to sign up, just now these things running until and shutdown in 2035, I'd say I'm on the dotted line because I don't think they've got much life beyond that. Russell 2026 guidance.

Rusell O’Brien, Centrica

Let me talk everybody through that. So it was on the slide, but let me just go into a little bit more details to Retail. Previously we had guidance ranges for the individual businesses. We've simplified that and tidied that up so a range of 500 to 800 for all those businesses. You can choose your midpoint maybe as a way to get started there.

But I think as we sit today, we're quite comfortable with how Retail’s looking for the year. Optimisation, I was clear about that in the speech, below the 300 to 400 million pound range so 250, as we sit today for that business. Infrastructure, again, a little bit dependent on prices, although we've hedged a lot of the nuclear production and the Spirit production this year. So we've guided 500 to 650 some of that’s also dependent when the Spirit Energy second divestment closes. We're thinking around mid-year. So perhaps you could take the midpoint of both of those. You mentioned you will use the consol adjustment that we had this year. I think that's a good proxy. So I would pencil that in and that's fine.

And then there was the interest expense where we noticed that some people modelling Centrica just hadn't quite got that correct, so we wanted to just flush that out today. So 100 million pound cost for 2026 is our current expectation. Let me just give you the maths behind that because it's quite important.

So Centrica of course has some debt from quite a few years ago at relatively high interest rates and a large cash balance which is all floating. And what's happening is as interest rates are going down and half of your debt stack is fixed, your amplification and the reduction in your interest is more pronounced.

So just for example, the rate that we paid on the bonds in 2024 was just over 7%, which is to 6.6% in 2025. But on the cash, a steeper drop because it's all floating from 5.1% to 4.36%. So you've got both higher fixed rate debt and it's not all floating. So that's part of the dynamic. The other thing you have to take into account is there's a difference between P&L interest charge and cash paid on interest. And that's things like decommissioning and other things that move through the P&L but not through the cash flow statement. Let's call that around 40-50 million, which you probably want to adjust as well. So the IR team will be very happy to walk you through the intricacies of our debt stack, but I think that's probably the best explanation I can give you from here.

Mark Freshney, UBS

I have three questions. Firstly, on the LNG hedge position, which I think is 100% out until 2028, is that, to use your parlance, written in black ink or red ink?

Secondly, regarding the rough storage facility which you now expect to break even, is that all because you're extracting the cushion gas?

And I guess the third question is more philosophical about the efficiency plans. I mean, businesses continually need to do efficiency plans and the ones done by your predecessor and your predecessor before that, the benefit seemed to go back to customers. And when I look at, Chris, when you mentioned your transformation plan, I think it was six months ago and you said there would be upside to the 1.6 billion or the range of 1.3 to 1.9. Here today we find that the only upside is the 100 from nuclear life extensions.

So should we be conceptualising the efficiency plan is business as usual and something that protects existing efficiencies with the existing businesses and profitability? Or will this be the one plan, apart from the one you did a few years ago that did show through, but is this going to be one that does actually bring shareholders any benefit?

Chris O'Shea, Centrica

Let me do the last one first. I hope so. So the 100 million benefit in 2025, but we booked the costs in core earnings. So most companies and what we used to do when I joined was talking to the chairman this morning, and I think we're the only two left from the board from that point. But when I joined, we had this massive cost efficiency program, and we were spending hundreds of millions of pounds a year in the middle column.

And everyone would say it's in middle column it's great, no it's bloody well cash out the door. And actually, I would argue rather than going back to customers, that costs didn't actually go down. They went up. And so we had lots, it's not smoke and mirrors but we had lots of ways of explaining why we've done a really great job of taking a cost. But we'd put cost back in.

So the first presentation I did as CEO was to show that we're taking out 15,000 people and the wage bill have gone up. So I don't care how many people work for us, I care what we pay. And so I actually don't think that delivered much in the way of benefit. And I had to present every six months the somewhat convoluted story about cost benefits.

And I just I think we were I think we were kidding ourselves on. Now look our opex is 65 million pounds lower in 25 or thereabouts, than it was in 24. Now, the reason that you'll see some going back, if you take, for example, X-energy, I'll probably get a kick for saying this number, but we would anticipate for that project, the first project for a gigawatt of advanced modular reactors, the pre-FID spend will probably be about 600 million pounds.

You can't capitalise that, that's expensed. Now we wouldn't expect to pick up all 600 million but that's why even Russell said we expect the, we expect to keep cost flat over five years offsetting inflation but also offsetting the fact that we expect of a couple of hundred million of growth related expenses.

Some of that will be as we move in more to build some things ourselves, you've got your you've got your pre-FID spend, you've got your front-end engineering and design, civil engineering works and all of that kind of stuff. I think you should be able to capitalise that on a successful project investment decision. I don't set the accounting standards. So you'll see some of that in there we would expect to spend more but again, only if the values going to be there, we're going to have to be slightly more speculative I think, in some of that. So I think the efficiency program will deliver.

Rough storage is absolutely because we're taking out the gas, we're not injecting. However, we reserve the right. You know, you've got Cassim's team work very closely with Martin Scargill's team. If today, for example, we see the chance to inject 10p and sell at 50p, we could inject. We can change the flow in Rough three times a day. The nominations, you make three different nominations I think.

But our modelling is simply that we're going to take the indigenous gas out and at some point the pressure drops to such an extent that you can't get any more out. Then on the LNG hedge, I would just say nice try, that would be commercially sensitive. I would say that we expect to, I think to be moderately flat, but it's not so much we've hedged everything in and it's all flat. There's still work that the traders, the traders are very, very busy in Cassim's team. But I don't know, Russell, if you want to give any more from, on LNG.

Russell O'Brien, Centrica

Remind everybody that the LNG business is much broader than just the Sabine contract into the UK, which is where it all started. So 25 cargoes a year from Sabine, hedged, 250 cargoes traded last year. So the LNG business is much broader than that one contract and our traders have demonstrated over the past couple of years how they're able to get into positions in a really creative way to create value. So I'd take that into consideration as well.

Pavan Mahbubani, JP Morgan

Thank you, team, for your presentations. Pavan Mahbubani from JP morgan. I'll ask you two questions, please. Firstly, Chris I want to follow up on Mark's question on the transformation programme and the retention of those benefits. So if we exclude the pre-FID expenditure and everything else, how are you comfortable that you can retain any proportion or a good proportion of that relative to your competition?

I guess the question I'm asking is what's different about Centrica versus what some of your peers will be doing in the businesses where you're driving these efficiencies.

And then the second question I have is can you unpack a bit more drivers of the lower optimisation trading profits this year? And my question is, how do you expect those factors to evolve, i.e. when we're thinking about 2027, 2028, should we assume you're back to the midpoint or is it a gradual ramp up based on market conditions as you see them today? Thank you.

Chris O'Shea, Centrica

Let me take the first and then Russell can take the second one. So you're talking about in the retail business effectively. So if you look. Most of our competitors are losing money in the retail business. And Russell mentioned about unsustainable pricing, and we're just not going to play that game. I've always been dubious, if I'm being very open, of a value over volume explanation when it happens after the fact.

And Gary who runs B2C retail and Dan who run B2B were quite clear when we spoke at the start of the year saying if we think that it's value over volume, we say at the start of the year. So it's not an explanation for losing customers. And I think if we end the year with flat customer numbers, I'll be delighted.

I think customer numbers probably will be a bit down because we're not going to chase unsustainable pricing. But in the regulated, in the price cap part of the business, what you really want to do, and it sounds very uninspiring, is to be better on average. And so, if we run better cost saving programmes than our competitors, we put them under more pressure.

If they're making losses they're under even more pressure and you cannot resist gravity in perpetuity. So if we look at our biggest competitor, Octopus, I think their last accounts showed that they doubled in opex and doubled their headcount. And we've always thought that when you get to a point where you have a broad range of customers in the B2C retail book, your costs are going to go up, because some customers are dead easy to serve and some customers are slightly more difficult to serve.

We have always had a very broad range of customers. We value every one of them. So we have efficiencies. We know how to deal with all the range of customers, we have efficiencies that we can put in place. Some of these companies are learning how to deal with customers with more complex needs and you see that their costs are growing. Our cost to serve is lower than Octopus's cost to serve today.

We already have a cost advantage. The cost advantage that is portrayed through a different system. The numbers though, you can see this in the consolidated segmental statement. The numbers don't bare it out. So we have a cost advantage today. Now, is it possible that we put through lots of cost savings and the regulator absorbs that into the price cap? It's entirely possible, but by doing so, they put other people out of business and if they do that, then it's an un-investable market. They want an investable market.

We pick up other customers, but at some point this market has to have enough profit in order to attract investment that's required. We're not perfect and we've got loads of opportunity. It's funny, every year we make our customer service, our customer satisfaction numbers, there as high as they've ever been. But the opportunities I see today are more than I saw five or six years ago when it was pretty low.

So every time you improve, you just see more opportunities, and I think that's what great companies do. You just continue to improve. So if you're behind somebody, you catch them up more quickly. If you're ahead of them, you just increase the gap. And so we're going to continue to invest and we're going to continue to invest in customer service. We're going to continue to invest delivering efficiencies.

And I'm as confident as I can be that not only will we deliver the benefits and retain some of that, but that we will deliver the 1.7 and the 2 billion of EBITDA in 2028 and 2030. It's going to be difficult. It's quite hard work, but it's entirely possible. So I think we'll be able to retain some that.

But if we don't and the regulator takes it all that still for us, competitively, is not a bad position. Might mean we maybe make a little bit less, but the market has got to be normal and the 2.4% margin today that we've got, which is causing a lot of financial distress, you the five companies now, I believe that don't meet Ofgem's own financial resilience rules. So it's getting worse. That means they're eating into capital that they've got in order to stay in the business.

That's not sustainable. What we could have done was and I've always said this, we could have sat for four or five years and said, you know what, the market's going to come back to us. But we haven't. We have invested heavily in improving our customer service over the last four or five years.

But I still believe the market is going to come back to us, but we're going to continue to invest. We're not going to sit and wait. Cassim often talks about complacency being a word that worries him, we're not complacent at all. So we'll keep pushing. We're going to deliver these efficiencies. Maybe we're going to deliver more. If the regulator takes them, that's fine for us. We're always looking for something whereby whether you go left or right, you win, and whether the regulator allows us to keep them or whether the regulator takes them back, in the long, that's not bad for us in this market. But I do think we ought to keep it. The proof is going to be in where the opex is.

And we've thought long and hard about this. I didn't like when I was the CFO putting restructuring costs through exceptional items because the organisation thinks it's free money and so whilst it's slightly painful we'd otherwise be talking about 13 pence EPS and we'd be talking about, you know, we're going to invest even more in 2026, in transformation. But we want to make sure that everyone understands that when you spend a pound on transformation, you have to get more than a pound benefit. Otherwise let's not spend the pound. But we will separately identify that I think each time we do the results. But they will be in the core the core results.

Lower optimisation. When's it going to change Russell, when's the market going to change. What date?

<u>Russell O'Brien, Centrica</u>

You might need to speak to Cassim he's just sitting there. All right, now so disappointment in the second half of the year and where we thought we might have ended up in Centrica Energy versus what I told you at the midyear. I mean if you sort of stand back I mean, commodity markets, as we know, are inherently volatile. And we saw that through the energy crisis and a sort of different type of volatility and movements in the past couple of years and so you had that exceptional dislocations in 22, 23 and then you moved into a period of elevated geopolitical concerns risk, high volatility, but hard to read volatility. And then at the end of 2025, we did see the beginning of a broad-based normalisation across the global gas hubs, but it didn't really go back to where it was before.

And so that meant that in the second half of the year, our gas and power trading business continued to face challenging conditions, and we didn't see an improvement perhaps we thought we might have. What, just to remind you of the core of that business when we see seasonal and locational spreads, our core strategies, our fundamental based strategies are to take gas storage positions, power positions, interconnects and all the rest. And then through an analysis of supply and demand, put positions on.

And although there was an improvement in the second half of the year, there was a couple of factors that made it more challenging. The level of the summer winter spreads was still too risky. The margins were not quite there, so we didn't put that much risk capital to work.

And also the movement back into more normal market conditions happened really quite deep into the injection season. So Centrica had not taken as much capacity and therefore has less optionality, as moved through the current period. So that just meant we've got a bit of a you know, we're starting in the back foot a little bit for 2026. Hence the main reason for moving the guidance down for this year.

And you've seen in recent days there continues to be regulatory news flow changes in the market that just make it more difficult for us to step in at the moment. But does that mean that we feel that there's a change to a longer-term outlook for that business? Absolutely not. We've got a great team. We trade across 28 countries in Europe.

The gas and power markets, when they do stabilise, we will be there with a risk capital ready to get back to work. Our renewable route to market business continues to grow. Now at 19 gigawatts under management that's got a stable cash flow base to some extent and the contracts we write and optionality around that. LNG, we've just discussed a lot of optionality there.

We're growing our business in gas and power trading into the US. We now have an office there. We're beginning to trade both physically as well as on the exchange that helps us underpin our natural gas supply into Sabine. But it also gives us more optionality as well. And if you take all of that together on a broad assumption, that markets will normalise. We're comfortable we'll get that business back into the 300 to 400 million pounds worth of EBITDA that we've seen before.

Jenny Ping, Citi

Thanks very much. Jenny Ping from Citi. A couple of interrelated questions, please. Just firstly, I was very intrigued to see your slide on CCGT and obviously you guys have been linked to potential merchant capacity and interested in your comments around the cost of capital. So when we look into the 2030 numbers in terms of that predictable earnings stream that you talk to, how do you plan to deal with this merchant capacity if you were to go down that route, especially in the context of some of the changes in the commodity markets we've seen recently, the Italian decree, the merit order comments from the European Commission and more headroom coming through the capacity auctions. So would be interested in that as a first.

And then secondly, just on I guess affordability and bad debt, obviously bad debt continues to go up. You commented that the expectation is to see that to be recovered. What I can see is that government is only talking about 10% of the overall 5 billion as a first tranche. What gives you that confidence to see some of your bad debt on your balance sheet to be recovered and that continues to go up? Thanks.

Chris O'Shea, Centrica

Look on the CCGT's, so we've always been clear that we look at regulated and contracted. And so how I think the market is going to evolve and if you look and the government will say this Chris Stark who's got a great job title, he's head of mission control or something for clean power, and Chris will tell you this, he expects we'll have to rebuild the entire UK CCGT fleet, but we're going to have far more renewables.

And so ultimately CCGT's which might provide baseload just now will provide backup generation going forward. So CCGT's will just be like peakers. And so what you're going to have there the market has to evolve in order for this to happen is you have to get capacity market payments, which is attractive enough for you to keep the asset open and it will have to cover basic maintenance, etc., and a return on capital.

And then you'll get the positive spark spread when you have to run. And if you have to run and the spark spreads negative then you won't run because you need electricity. The point you have to run the spark spread has to be positive. So it's like if you take it from a macro level, if the rent doesn't exist for CCGT’s, CCGT’s won't be there.

So when we look and say, I don't think, you might get to like RAB models, I'm not I don't think so. But I think it'll be more the capacity market's going to try and test that people seem quite comfortable and I've been quite open like I would love if we had a bigger position in thermal power generation because I think that what will happen is that you'll see this morph into more, more capacity market contracts.

But as we're finding in the Irish peakers things always go wrong when you do a project, always. There’s no, very few, I think Heathrow terminal five the last big project I saw that actually went incredibly well everything goes wrong it’s late it costs too much money. And so the build out of renewables which is very, very ambitious, will not happen in the timeframe that we think. It will happen, but not necessarily bang on budget bang on schedule.

So the gas fired generation you’ve got will have to run. So you'll have the capacity market payments and you'll have the positive spark spread. And it is really quite typical of the asset classes that we're looking for in Centrica, which is something that makes sense in the base case. And you make a decent return and has a skew to the upside, because the downside in these assets will be if your maintenance isn't good and you get called on to dispatch and you can’t, you’ll be in a whole world of pain. We know how to run CCGT’s, we're pretty good at it. We've got a big one in Whitegate in Ireland and so we know how to do that. So the downside is in your own hands and the upside is probably when it comes in the market, those are exactly the kind of assets that we would look for. But they're not regulated, but they are heavily contracted. If you look at Isle of Grain, it's mainly contracted rather than regulated.

Now, why did we feel that we had a unique bidding position in that? Well we know the asset because we’ve a quarter of the capacity, but our capacity is up in 2029. And so we know today, so Cassim's team figured out what we would bid in 2029 for that capacity. So when you look at it on a standalone basis that sets a floor, because we will either bid and get that capacity in order to turn on the asset or will bid and we won't get the capacity. And the only reason we won't is because some of these bid more.

So we're always looking to say how do we establish the floor. I have quite a high-risk tolerance. I am always looking at the floor, how solid is the floor and then what can you build on top of that. So CCGT’s I would love to be there. The trick is to be in the right place in the merit order.

You then touch on what happened in Italy about the carbon pricing. It's quite clear there's going to be some movement in terms of where carbon pricing is going to go. So unless you have something this rock solid, irrevocable in terms of spending money and lots of carbon capture, you're probably not doing that at the moment.

And the news from Italy the other day probably undermines that, but we're not looking at that just now. So if we were to look at a power station with CCUS carbon capture utilisation of storage, we'd have to make sure that that was irrevocable, that that was absolutely cast iron. You know, Russell will be looking at that, Raj at general council will be looking at that.

And if it wasn't, we probably wouldn't do that because that is too much of a risk. And some people will have woken up on Tuesday morning to the news from Italy, thinking our business models under threat. We will never be in that position. We're always looking to say how do we spread the risk, how do we guard on the downside, how do we make sure that the contracts are with the right counterparty, how do we make sure that the regulation is absolutely cast iron.

Now you can look and then say, well, what if a future government changed the law? Well, if governments changed the law and undermine contract rights, then countries become un-investable. That's you see in some developing countries. I don't think the UK will get to that point because if it did, the capital outflow would be absolutely huge. So some of the stuff we look at, that very detailed micro level, how tight is our contract? And some of the stuff's a very a very high-level macro level which is okay if, the worst happens, what does that mean for the country. Because we're kind of tied into we need things that are good for the country. We take a view as to whether something is likely or not, but it's also why we look, for example, at spreading our geographic risk.

I think we've, you know, fixed our operations, started to invest. We look and say, well, there's more that we can do. The office in the US is one thing I would expect us to enter one or two new countries outside Europe in the trading business this year and we're in very small positions in Belgium and in Sweden, but I'd be quite happy to grow.

I don't think in five years we're going to be 20 countries. I don't think that we're going to physically be in two or three or four countries. I think you're going to have something that's less than ten, but more than five. And that also helps you with the risk.

On bad debts, I think the high level in the bad debts, bad debts are recovered through the price cap, that's why I think people don't appreciate how regulated the earnings are in in British Gas residential energy.

So you recover it through the price cap. If you're better than average, it's a profit centre and if you're worse than average it's a cost centre. And debts are, I think they're going up fourfold or something. So the debt on our balance sheet are 1.2 billion pounds or so, it's absolutely huge. Thing I worry about more is that means that there's a bunch of people that can't pay. So something's going to happen in order to fix that, but the regulator has got to come up with the right answer.

We call for the social tariff, and we've been calling for that for quite some time. We can't differentiate between those who choose not to pay and those who really can't pay. We wish we could. And if we get social tariff, then those who can't pay will be treated with compassion and at the extreme of social tariff would mean some people will get energy for free. Those of us that can afford to pay more will see prices go up. And that's right. And those that can't afford at all could ultimately see free energy. And those who choose not pay, well, then you'll be able to take action against them.

And because at the moment, because of the way that the price cap works and the cost being socialised, those who simply choose not to pay are being subsidised by those who do pay. And that's wrong because there's a lot of very poor people that are paying their energy bills. They shouldn't be subsidising people who can afford to pay. So it's high, it's a concern, it's a working capital issue. This is why we campaigned for financial resilience, because we've got the working capital, we've got a very good CFO who manages the balance sheet to make sure that when you know, when Gary's business needs a float of one, two, three, four or five hundred million pounds working capital we have the cash, we have the liquidity.

We campaign for financial resilience because those companies that run a very, very tight balance sheet, I don't know, they're coping with this at the moment and we don't think that systemic risk should be left with consumers, which it is just now, because if they go under, consumers ultimately pay the cost. Did I get my numbers right or wrong?

Russell O'Brien, Centrica

Nearly, so actually broadly correct. So it's actually 1.9 billion pounds worth of net debt on the balance sheet, including both billed and unbilled. So that's a that's a challenge. And if you look at note 16 in the accounts we published this morning, what you'll see is that's predominantly in greater than 360-day category. So that's a same trend British Gas is seeing as the rest of the industry is seeing.

Our bad debt charge as a percentage of revenue went from 2.3 to 2.8% in the year. It's about 40 million pound increase charge. So it's a weigh on the P&L. But as Chris says, over time, we're expecting to get a recovery for that. But its that older debt, that's the real challenge.

Dominic Nash, Barclays

A couple of questions for me, please. The first, I think is to you, Russell, I think you mentioned before that you previously published a waterfall chart and on that waterfall chart, you know, you came up with your EBITDA's, your capex's, your requirements. And then you also said that you had a net debt EBITDA sort of a target or goal of between naught and one times I think it was for one sort of like a limit of one sort of like a target, I think.

But on our numbers, I think that gets to about 1 billion pounds of sort of headroom, which I think quite a few of us in this room probably earmarked as buyback rather than anything else can I just confirm that that that sort of headroom still remains and is basically just now either going to be option on capex and less likely to be to be buyback, but that headroom is still about the 1 billion pounds?

And the second question is to you, Chris, actually is kind of following up from Jenny's one on gas. It's sort of a double one here is that the government clearly has a policy to decarbonise completely and you are bringing up the doubling of CCGT output. And so one of my first question is why are you doing that when you can't build this side of 2031 and you don't have any CCGT's?

So what are you, what sort of message are you trying to tell us about that? And secondly clearly, under the current government, I think there is no doubling of gas expected and in fact, gases continue to go down. So do you have like a roadmap to whether or not we could see the gas strategy change this side of 2029, or do we think we're going to need a sort of change in government before we end up with a more sort of gas as a transition fuel sort of narrative? Thank you.

Chris O'Shea, Centrica

Let me take the one on gas. So the numbers that we showed were from Aurora. So they're external numbers. That's not our internal forecast. That's an Aurora forecast. And the doubling as CCGT, is in the mix rather than our position. I think it depends on what you think is going to be the build-up.

But the more intermittent electricity we've got, the more gas fired generation we're going to need. And then the question comes in terms of how much economic growth do you think there's going to be, how much increase in electricity demand do you think there's going to be? Now, there's a huge notional increase in demand from datacentres.

I think when you look at the physical requirements of building that, everyone talks about a gigawatt datacentre I think that's half a square mile. Apparently, it's 5 billion dollars worth of chips in the plant. We would build a power station for one and a half billion or so and you might build it co-located and not connected to the network. It takes you five years to get a turbine. So as you say that's 2031, how do you do all of this kind of stuff? The numbers we're seeing that are out to 2040.

So there's a whole bunch of stuff in there that Aurora might have got right or might have wrong. My belief is that we will see growth in electricity demand, we will see economic growth in the UK and we will see growth in CCGT's this year. Now we've got a big biomass plant in the UK, will biomass survive or not? Because we've been talking biomass, carbon capture and storage.

So you might see a change in that mix, gas might replace because it's lower emissions from gas than it is from biomass. Whether you buy the argument that it's renewable and biomass is a political question I don't want to get into. But you could see a change here that's 3 GWs or something that's on the system just now, so that's 8% of UK demand.

Obviously you'll see the reduction in the, by 2040, the four advanced gas cooled reactors will be off at 4.8GWs. Hinkley C should be on. Sizewell C definitely won't be on by that point or sorry, not definitely, I'd be amazed if it was on by that point, I'd be delighted. But I would be amazed I think, roughly around there.

So there's a whole bunch of assumptions. What we know is the assumptions will be wrong, but you will need more gas fired generation. The question about how much electricity will be generated, I think that's open to debate because we don't know what weather patterns are going to be like in 2040, but we can't take the risk that intermittency increases because weather patterns become more changeable.

So you're going to have to have the capacity, which is why you're going to have to have the capacity market payments, which is why they're an asset class that we like, whether they will generate 300 days a year or three days a year, I have no idea. But I like the kind of investment where if it only runs for three days a year we're happy it meets the cost of capital and exceeds the cost of capital when running for 300. Then we're making a lot more money and bringing down costs for customers.

So there's a long time between now and 2040, but I think the current government recognises gas as a transition fuel. I was in Qatar in November. One of the senior Qatari energy ministry people said that they don't think gas is a transition fuel, they think it's a destination fuel. And they said, can you deliver that message in the UK. I said I'd rather not get involved in that stuff. That's for you guys to deliver. But I think what that signified is they no longer see blind decarbonisation as being an issue and therefore they've probably got more discipline in terms of how they're going to get their gas out the ground.

And I think we're seeing a lot of pragmatism in the UK as well. I think if you look at that gas consultation, that's not the consultation of somebody who's pursuing blind decarbonisation. It was a very measured, very sensible consultation. NESO who came out recognising the need for gas storage is a government body now.

And so I think we're seeing a lot more pragmatism and what we try to do is to just get away from all of that kind of politics and all the headlines and stuff about, you know, net zero this and the reality is what we're trying to do is to decarbonise, have secure energy and have it this affordable and we think CCGT's are going to be right in there. I would love to have more CCGT's but only at the right price, if you know, if somebody else has a lower cost of capital and they'll pay more than then, fine.

I think at the moment people are struggling to value these asset classes. I don't think there attracting, like if got really low cost of capital, you want to buy a network or you want to buy you want to be in the CFD for wind or something so that's where the lower cost of capital is going. If that allows us a chance to get in and build a CCGT position, I would be delighted.

Russell O'Brien, Centrica

Right. And then just moving on to the waterfall chart from last year in the financial framework for the coming years to come. So no change to the expectations or that overall framework. And just to remind everybody, because we don't have it on the screen today, what we were looking at there was the evolution of the balance sheet, where on one hand you had the completion of the 4 billion pound investment programme, you had the continued progressive dividend, you had the other liabilities, pensions, decommissioning, but you also had alongside that the cash generation from our existing assets and our new assets.

And we sort of pushed that all forward to the end of 2028. And what we can show by then is that we would be able to move the balance sheet up to approximately a one times net debt to EBITDA level. We would have a bit of a buffer in reserve just because of the volatility of the business. And over time we would expect that some additional financial flexibility could come to bear.

And that's right. That was about a billion pounds and I think roughly and ups and downs, that's probably the same proxy that I would look at today. But it's not there today because, of course, what we've got to do at the moment is move through the next couple of years, continue to generate from our existing assets. We've only spent 2 of the 4 billion pounds of the capital programme. So that needs to come out of the balance sheet into new assets. And we paused the buyback because we think there's more value at the moment for us to continue that investment programme and then make sure we've got a really strong set of cash flows in the future, which gives us much more optionality and whether it's buybacks or other sources or uses of capital.

Chris O'Shea, Centrica

One thing I would say is that there's like I always when I was a CFO, I always used to run a slight or what people call a slightly flabby or conservative balance sheet. It's like there's always a point in the cycle where you think thank god we've got a balance sheet like that, either because you go into a bit of a downturn and you need to float working capital or because your competitors are highly leveraged and you get the chance to pick assets up at a low price. So there is a benefit in us having a slightly more conservative approach to our balance sheet.

Now hopefully people see the fact that we've bought back over a quarter of the company over the last three and a bit years. They see that we're super committed and we know who we work for, we work for the shareholders. If we've got excess capital, we give it back, but we think it's in shareholders interest for us to have the optionality to act and to pick up assets or to not worry, because you find out, for example, that Ofgem's next quarter's bad debt recovery charge is not as high as you would like, that are some of their competitors who I think it's an existential issue for them as to what the price cap is, but it's not existential for us at all in the short term.

Harry Wyburd, BNP

Yeah, thanks Chris, I'll make it quick, appreciate we've gone through a lot of stuff already. It's Harry Wyburd from BNP. And so two, I'm surprised it hasn't been asked yet, the buyback, what's your threshold for reintroducing it? I guess in the past you've been willing to be quite flexible. You know, last time that your shares fell a little bit after pausing buybacks, you resumed them in quick order.

Is there a share price threshold below which you'd be interested in restarting buybacks? Is there, you know, an opportunity cost threshold? What would cause you to resume the buybacks? I guess another observation is that your opportunity cost on cash right because your cash treasury rates have gone down, you know, you have less to lose in terms of interest income if you spend it on buybacks instead.

So that's the first one and then the other ones on the capacity payments, I wholeheartedly agree with you on capacity payments. I think this is something that everyone's, not everyone, but a lot of people are missing right now. I think gas is going to be become a regulated asset in Europe. And there are still countries which don't have capacity markets which are going to need them.

Would you look in Europe for orphaned gas plants? Look at the Netherlands, for instance, where there's no capacity payment, there's no spark spreads. But those problems could become very profitable if you did get a capacity payment. You've expanded internationally with the trading business. So why not become an aggregator for orphan CCGT's in Europe and then clean up when capacity payments massively rise at the end of the decade? Loaded question.

Chris O'Shea, Centrica

Well yeah, it is you're not selling CCGT's in the Netherlands, are you, by any chance? No? Look I think. I mean, Russell and I both used to work for the same Dutch company. Or the company that was Dutch at the time. I think maybe Russell did quite a number of years living there. I like the Netherlands as a place to do business.

However, there was quite a big court case in the Netherlands, about decarbonisation targets. So you know maybe there's lots of orphaned assets there for a reason, but the Netherlands would be exactly the kind of market we would quite like. It's, you know, good rule of law, etc. And if there's value there and we know the market and Cassim's team know the market well, then why not?

But we are we don't look and say that's the kind of place we want to go. We want to create value. And if you take, for example, the market we say, well, there's no capacity market at the moment there's no spark spread there. That's a bit more of a punt I think, than saying okay we can see a market where there is a capacity market already, there's a good liquid market. We can see the assets, there's less of a punt in that and I our whole thing and whatever it is, whether it's technology, whether it's in buying assets, is not to take the risk of being the first mover but being able to move. And when somebody establishes, as often as possible being able to move quicker than the competition and some days even being able to move quicker than the first mover in taking advantage of that.

So don't hold your breath for us to be coming back in and talking Dutch. But I'd love to build our position there.

Look buybacks, you know I'm not going to give you an answer. I think our share price today is undervalued, not because it's down. I think it was undervalued when we started the day or when we closed yesterday, but we'll always look at where the value is and we're delighted to have bought back, I don't know, well over a billion shares at a pound thirty. Yeah it must be 1.2, 1.3 whatever the number is, and created quite a bit of value there in the capital appreciation, but also in terms of the dividend stream that we'd of otherwise have been paying.

The first point, we look at a buyback is do we have surplus capital that we're not confident that we can deploy. Or do we have, I don't know the right word, an unexpected gain. So I can't remember when it was it was a couple of years ago where we upped the buyback by 500 million the last part of the year. That's because our performance in trading was beyond anything that we expected. And we looked and said, okay, we've got a bunch of ideas, we've got a bunch of capital, but we really didn't expect that.

It must have been 2023 or something. So we just stuck that into the buyback. So if we have surplus capital, then we will look in there. And I think I think of it first and foremost is being a way, an efficient way to return capital to shareholders, its not to say we ignore the share price, but I think if we had surplus capital and I went to the Chairman and said I think our share price is a bit overvalued, like if I was the Chairman, I'd probably think I might need a different Chief Executive because if I look and say the share price is overvalued on a structural basis, that means that I've run out of ideas.

And so I think that we're materially undervalued today based on what I can see. But I also think that the capital we've got on the balance sheet today can be invested to create more value for shareholders by delivering that value than it will be by buying back shares. If a number of these things that we've spoken about don't materialise, then the capital we've got in the balance sheet today, we might not have as many ideas. Therefore we might say, you know what, we're going to return some of that to the shareholders. But what we're not going to do is on a daily basis take a view on the price, and I'm not going to tell you where I think the trigger price is. I will tell you I think what under-valued today.

Ajay Patel, Goldman Sachs

So it's more just thinking about those nuclear sites and it's a little bit far along the line. But, at some point, there is a point where these assets close and just wondered what the development options are outside of being nuclear stations. And I know you've got the SMR opportunity, but you know, you've got connection, it's secure. There's a there's a lot of opportunity for repurposing in some way. And that was very much a debate over the last quarter. So, yeah, anything you could give us that would be helpful.

Chris O'Shea, Centrica

So the first it's no coincidence that the first anticipated the deployment of AMR technology is at Hartlepool where we've got a 1.2 gigawatt power station that at the moment is due to close in 2028. See I think it would go into the early 2030's. So you've got a grid connection, a highly skilled workforce and therefore you've got the conditions to build a power station.

I think if you look at nuclear, the X-energy stuff we're looking at is 80MW reactors, there quite small you could deploy them, really their optimal deployment is in a four part, so 320MW. And so theoretically you could put them anywhere. But the reality is I think that you find I think the UK is quite neutral on nuclear and I think if you live in a community that has nuclear power and if you live in Ayrshire where Huntington is they would love, I think, nuclear power stations down there. They've been there for 50 years, they know it's safe, well-paid jobs, etc. I think if you go to a greenfield site and say, you know what, I'm going to build a nuclear power station here, you're probably going to have some problems with the local communities. And so I think the natural use for the existing nuclear sites is to deploy nuclear technology.

But if you can't, then so if the question is, could you build a CCGT at Hartlepool and use the 1.2GW grid connection? Absolutely. When you get to the point of decommissioning a nuclear power station like Hunterston is still taking on apprentices, there are people that will work for their entire working life on decommissioning that power station. So you just got to make sure you've got enough room, enough land around it. But yeah, these are valuable connections, existing grid connections in the system, when you've got number a number of years of a queue, they're certainly valuable. The question when you come and look at the project management is what's in the critical path. So if you can't get a turbine for five years, I'd say you're kind of have to order things in advance. But they certainly have value 100%.

Ajay Patel, Goldman Sachs

And this one was just for Russell. So it's sort of expanding on Dominic's point, the 1 billion of the headroom that we were talking about at about 28. So if you have a target of 2 billion by 2030 and we're expecting the mix of the business to improve and one times was a number at 2028, then could we be talking an additional one, one and a half billion by 2030 of extra headroom?

I'm just thinking of how we should be thinking about that risk profile and how it affects those numbers.

Russell O'Brien, Centrica

So I think that for now we stick to the waterfall chart which I gave you last year for the journey to 2028. But rest assured, Chris is pushing us all hard to do better than that. And if that happens, there'll be more flexibility all round for everything that's on that chart. 2030, a combination of the transformation programme, the continued growth of the assets that we're investing in, as well as new investments that might come through that time. Of course that's going to give us more flexibility and that can either be for new investments or greater returns. So that's one of the reasons today we wanted to give everybody some comfort that there's a journey beyond 2028 and it's a positive journey.

Fraser Jamieson, Centrica (webcast questions)

There's a couple we won't get to. So the IR team will come back on those ones. But if we can start, I'll combine a couple of different questions on retail. So we've seen retail customers growing over the course of the last few years, but then down in the in the second half of the year, you made some comments about the strategy there. Could you just elaborate on what the go forward strategy is around the retail, particularly energy supply, customer base. Are we trying to grow customer numbers, shrink customer numbers, what's the story there?

And then the second piece is just around the sort of economics of different tariffs. Probably a question for Russell. What assumptions do we have around the share of regulated retail tariffs versus fixed rates and how do the economics compare there?

And then the increasing demand from B2B customers, the growth in the B2B business, what are the underlying drivers there and how does that impact unit margins?

Look, customer numbers, clearly the strategy is to maximise the value from that business. We pulled back on some of the customer acquisition costs or activity last year and in part that was because we didn't see the value and we have reduced our spend at the moment as we're not going to chase poor business.

So the strategy, customer numbers used to be a great proxy for value, I'm not sure that is as good a proxy now. And so we're just taking a pause and looking at with the new customer lifetime value model. How do we determine how active want to be in the market? We're not going to chase numbers so we can say we grew customers. But I wanted us to show that we could grow customers in all of our businesses before we said, okay, now, we're going to maximise the value because if we hadn't, I think it would have been a credibility issue. It would have looked like we were saying, you know what, we can't grow customer numbers, therefore we're going to pretend we've got a different strategy. So it's all about maximising the value. Russell obviously answered the economics of the tariffs.

And the B2B growth, I think that's something that's maybe a little bit underappreciated. Matt who runs that business is sitting in the front just now. When I joined the company that was a 2 billion revenue business with 40 million of profit. It's now a 4 billion revenue business, 100 million of profit. It is, the growth in that has been quite substantial and we think that we can continue to grow our position. Again, that's where we take value over volume because when I joined we did large I&C customers. The margin in large I&C customers can be 1%, the gross margin. You don't need to do much to lose your gross margin and end up losing costs.

We don't really do large I&C customers anymore. We do smaller customers where the margin is higher. There are the odd I&C customers that we've actually done through Cassim's business because if you're a large I&C customer, the energy is 10, 20, 30, 40% of your cost base, you are very sophisticated when you're buying. And so if they want to buy from us, then they'll deal with our energy traders who are also quite sophisticated, that's not to say Matt's not sophisticated. But If you're dealing with somebody calling up from the local corner shop or somebody calling up that's spending, we had a contract, in Ireland with an aluminium smelter, they were spending 350 million euros a year on electricity. I think our gross margin was less than a million euros and we just stopped it. It just made no sense for us to take that risk. And so on the B2B side, we have been pursuing value over volume and that has doubled the revenue and doubled the profit or more than doubled the profit. And that's similar to what we're going to do, I think, in the B2C space.

But we would expect to see continued growth there. But we're not going to go after the revenue. People say turnover for vanity and profit for sanity. I would follow that logic.

Russell O'Brien, Centrica

When we were in the energy crisis a few years ago, nearly all of our customers in the retail supply book in the UK, we were on the standard variable tariff. That dynamic has changed as we expected in the past couple of years. We were 25% on fixed rate tariffs in 2024. That moved to 32% in 2025.

So that does have a dampening effect somewhat on margins. We'd included that in our guidance ranges and in our expectations for the business. It's a competitive business and as Chris said, we will not be chasing unprofitable tariffs or customers.

Fraser Jamieson, Centrica (webcast questions)

Two questions. One, around guidance for 2026. 2025 consensus came down to an extent through the course of the year. 2026 guidance we've obviously pointed out a couple of areas where people need to adjust. What confidence can we give that the numbers are not going to drop further through the course of this year, and particularly around the optimisation outlook, what gives us confidence in 250 versus about 200 last year?

Russell O'Brien, Centrica

Well look we give guidance on what's in front of our face and the analysis we can do today. Centrica Energy, we can see the positions we have, we can see the capital we've got placed and we can look at the markets and I think that 250 numbers a good guidance for today and that's the same as the rest of the businesses. There could be some volatility in the infrastructure businesses or in the retail businesses. That's why we have ranges. But I think the slide 14 that I gave you today I think is a good proxy for 2026 as far as I can see.

Fraser Jamieson, Centrica (webcast questions)

Performance in services was very strong during the year. Can we elaborate on the progress that's been made and what gives us confidence in getting that business back into kind of teens, low teens EBIT margins?

Chris O'Shea, Centrica

So, I think a lot of it is, as we described, as boiler installation, for example, is looking at our processes and saying what is it that's working, what do we need. So example boilers, we had a rule that if you had a boiler that was installed that was above the ground floor, we put a scaffold up.

Now, you get a sky TV dish installed, very rarely did they put a scaffold up. They put a ladder up, but they'd drill a hole in your wall and attach a ladder to the wall so there still safe. And if you say you can't drill a hole in the wall they'd say well you can't have a satellite dish.

So we were putting up scaffold, which is expensive. We were then leaving it up, which I thought was a security risk rather putting a ladder up. So we changed that. We will put up scaffold where we have to, but it's not a hard and fast rule. And it's these really small things and Gary's got the team looking at this, we've got some internal people that are you know, probably the bane of Gary's life because they're fiddling about trying to find all these different things and these things all make a big difference.

We're looking more at things like that for example, if you think about our installation's team, we do boilers, we do heat pumps, we're the biggest installer of heat pumps in the UK, but we do rewires. How many people would think, I need my house rewired and I'm going to call British Gas, they probably don't. So there's some more marketing for us to do to tell people we've got a bunch of electricians that are now doing rewires. Rewires for reasonable sized houses is the best part of 10 grand or something.

So there's a lot of, when we tell people what we do, the demand is there because our competition is somebody in a white van. And some of these people are absolutely brilliant, but everyone's got a story about like a bad builder or a bad contractor or something. You know where we are. You don't have to worry about whether you're going to be able to find us. You know where British Gas is. So the opportunity is huge. I mean, I think the growth opportunity for us in this business is absolutely gigantic.

We wanted, however, to get our operations in the right place. We were letting our customers down. The reschedule rate is going down massively, it was like 20% odd percent a few years ago, it's 4% now and we're meeting the customer promise. 80% of customers who call us by 11:00, with no heating and no hot water, we'll be the same day. So 80% of our customers, we're meeting that for.

Now, what we did when we brought it in was we said, you don't have to be a British gas contract customer. You just have to call us. So it was an operational led decision. Now it's kind of more commercial, because if you don't have to be a British Gas customer, but we'll go out the same day, well why would you be a British Gas customer? So those customers that are contracted with us will get preference. Those customers who've got a subscription, Gary I think there are 100,000 subscriptions or something or more, they will get preference.

So we've got the operational discipline, we've got the operational performance, we've got the brand, we've now got more commercial nous. And we announced last week 500 new apprenticeships. You know, the question I'm looking at is to say well we've got a few hundred electricians. Do we just go ahead and hire a few thousand electricians on spec? Probably a bit too much, but it's certainly not that we just hire another 5 or 10 or 15.

So and again, this is where, going back to the question of how much of the cost savings will go to the shareholders. There will be things that we have to lay out cost in advance, and it might be this to say, look, we're going to go and hire 5, 6, 7 hundred electricians because we know the demands there, but the demand is not going to come on day one. We're going to have to do the marketing, spend more on marketing.

So I'm very confident about that business because the operations are now very strong and there's a very good chief operating officer in there. And she's making improvements every single day. I mean, you were with the team yesterday in Cardiff I think Gary, you've seen some of the stuff making improvements every single day. So we know the demand is there, we've just not been able to satisfy, now we can satisfy it. And we've just got to seed some more money in there. So I'm very confident it will see growth. I'm very confident that I can say as we close off, as I'm assuming you don't have any more questions, but very confident in our ability to deliver what we said we're going to deliver in 2028 and what we said we're going to deliver in 2030.

If you look at what we've been doing, you know, we said a while ago, we're going to sell out over the North Sea, we're going to put money into electricity assets. We just sold our last North Sea asset. So we do what we say we're going to do.

We are investing in contracted and regulated assets. I think some people probably some point thought that this Sizewell C thing is never going to happen. I thought that on occasion as well sometimes, in the meetings, but it took us probably the best part of three years. We've now got, I think, a phenomenal investment opportunity. We have earnings in 2025 relating to Sizewell C. How much did we put in? 400 million 450? Something in November?

Russell O'Brien, Centrica

380 Yes.

Chris O'Shea, Centrica

That means we didn't disclose that number so I'm in trouble now. But it was the best part of 400 million quid in there and we're making a return on that. That will be a full year return in 2026. Some of these investment opportunities are huge.

We've worked very hard with the government and we saw the consultation on gas come out, which you could argue has got parts of it written with Rough in mind.

And so some of the stuff that we've got does take years to develop and some of it is binary. You know, the government says yes, the government says no, you get planning permission, you don't, you get a regulatory model or you don't. That's why the discipline is so important for us. But it has to come with patience on our side so that we don't do anything daft.

But you know what we lay out like the 1.7 billion in 2028, the 2 billion in 2030. The fact we think we're going to double our EPS or better by 2030 is something that we are confident in. It's not easy and we've got a leadership team here and a lot of our colleagues who I think are both invigorated by it and sometimes exhausted by it because it's hard work. It's hard work every single day.

But we absolutely have the opportunities there. We've got the people, we've got the market position, we've got the brands, we've got the finances, we've got the balance sheet and we've got confidence.

So sorry for keeping you because that's been an hour and 40, this reminds me of the old Centrica things. But previously we would present for about an hour and 15 minutes and you'd only get about half an hour for questions, its the other way round. So, thank you very much for coming and we'll see you again in July when we present our first half results. Thank you.