10 December 2015
Centrica plc ('the Company')

2015 trading update

Centrica plc today publishes a trading update prior to entering its close period on 1 January 2016.

The Company has made good operational and strategic progress since the announcement of its Interim Results and the outcome of the strategic review on 30 July 2015, against a challenging backdrop of continued weakness in commodity prices and power generation margins. The Group's 2015 full year earnings outlook is in line with expectations, despite the impacts from a second gas price reduction in British Gas Residential and previously reported system implementation issues in British Gas Business. This is subject to the usual variables of weather and asset performance during the last few weeks of the year.

Following the strategic review, adjusted operating cash flow delivery is a major focus, and despite recent commodity price weakness the Group remains on track to deliver a baseline level of over £2 billion in 2015.

In the current environment, capital and operating efficiency in Exploration and Production has been a priority and the business is on track to deliver capital expenditure below £800 million in 2015 and below £600 million in 2016, when we also expect to deliver an annual reduction in E&P cash production costs of £100 million relative to 2014. For the Group as a whole, organic capital expenditure is expected to be slightly below our target of £1.05 billion in 2015.

With a focus on delivery of our £750 million per annum efficiency programme and on cash flow growth, underlying performance momentum continues to make a material contribution in the face of commodity price falls and the roll-off of upstream hedge benefits.

Iain Conn, Centrica Chief Executive
"I am pleased with our progress since we announced our strategy in July. 2015 has been a difficult year, and against challenging external factors Centrica is establishing a solid base from which to deliver for our customers and shareholders. We are seeing underlying performance improvement against a softening commodity market, and have concrete plans for executing our strategy."

Group operating highlights

- UK residential energy supply margins are expected to be within the range of recent years, but with margins in the second half materially lower than the first half following our second 5% reduction in residential gas tariffs.
- The number of UK residential energy accounts on supply is largely unchanged since the half year.
- In British Gas Business, we have largely resolved the issues caused by the implementation of a new billing and CRM system. We now expect British Gas Business to make a small operating loss in 2015.
- In North America, Direct Energy is performing well and remains on track to deliver material operating profit growth in 2015.
- E&P oil and gas production is now expected to be above 75mmboe, higher than previous guidance, reflecting continued good well performance.
- Nuclear operational performance has been good and we expect our full year share of output to be higher than in 2014.

- In UK gas storage, the negative impact on 2015 profitability from the operating limitations of the Rough wells is expected to be broadly offset by the sale of cushion gas from the Rough asset.
- Connected Home has now sold over 250,000 smart thermostats in the UK and 3 million customers now have access to our analytics and insight products in the UK and North America.

Strategic review update

- Execution of our strategy now underpinned by comprehensive implementation plans across all businesses and functions.
- Connected Home, Distributed Energy & Power (DE&P) and Energy Marketing & Trading (EM&T) business units have been established.
- Direct Energy residential energy and services activities have been combined to create DE Home, organising the business around our customer segments.
- Direct Energy completed the acquisition of Panoramic Power, providing Centrica's DE&P business with leading capabilities in energy management technology and data science expertise.

Competition and Markets Authority investigation

In September, the Competition and Markets Authority (CMA) announced they were extending the timetable for the investigation into the UK energy market by six months. As a result, the Provisional Decision on Remedies is currently expected in January 2016 with the Final Report due in April. The CMA's revised statutory deadline is 25 June 2016.

Net finance cost, taxation and credit rating

We expect the 2015 full year net finance cost to be around £300 million and the Group adjusted effective tax rate to be below 30%. The Group retains strong investment grade credit ratings with both Standard & Poor's (BBB+, stable outlook) and Moody's Investor Service (Baa1, stable outlook).

Accounting treatment of fair value depreciation and asset carrying values

Following the conclusion of the strategic review, and the future role of our E&P and Nuclear businesses in the portfolio, we intend to discontinue the adjustment of operating profit and earnings for the impact of fair value depreciation related to our investments in Venture and UK Nuclear. This adjustment is non-cash and the impact in 2014 on adjusted EPS was 1.2p as previously disclosed. We expect a similar impact on 2015 adjusted EPS. Continuing lower wholesale prices and margins do have the potential to impact the carrying value of our E&P and power assets.

2015 Preliminary Results

We will provide a more detailed update on strategic progress, the key performance indicators we will use to track success for the different businesses, and new reporting segments aligned to better reflect the way we operate under the new Group strategy (which will be effective from 1 January 2016 and reported against for the first time in the 2016 Interim Results) in Centrica's 2015 Preliminary Results announcement on 18 February 2016.

Enquiries

Centrica Investor Relations: +44 (0)1753 494900
Centrica Media Relations: +44 (0)1753 494105

ENDS