

8 May 2017
Centrica plc ('the Company')

Trading Update

In advance of its 2017 Annual General Meeting to be held at 2pm today, Centrica plc is providing an update on its performance and outlook. Overall, the Company continues to execute on all aspects of its strategy announced in July 2015 and is making good operational progress, building on the momentum generated in 2016.

Operating performance in the year to date has been largely as expected with most operational inputs and parameters in line with plan. As part of this, Centrica continues to make good progress on its cost efficiency programme. However, warmer than normal weather in the year to date has resulted in lower than planned consumption in the UK and North America, while UK wholesale oil, gas and baseload power prices have all fallen since Centrica's Preliminary Results in February. Centrica will continue to focus on driving underlying performance improvement and cost efficiencies to help mitigate the negative impact of these changes in the external environment. In addition, we announced in April that the Rough gas storage asset would be unavailable for injection during the 2017/18 storage year.

Overall, the Company is on track to achieve the 2017 targets set out in its Preliminary Results announcement:

- Adjusted operating cash flow is expected to be above £2bn.
- Group capital investment, including small acquisitions of less than £100m each, is expected to be no more than £1bn, including E&P capex of around £500m.
- Incremental revenue investment of around £100m in growth areas.
- Efficiency savings of £250m expected in addition to 2016 savings of £384m, as part of the Group's £750m per annum cost efficiency programme.
- Like-for-like direct headcount reduction of around 1,500 expected during the year.
- Closing net debt is expected to be in the £2.5-£3.0bn range.

2017 financial performance remains subject to the usual variables of commodity prices, weather and asset performance over the balance of the year and the impact of an uncertain competitive and regulatory environment for the UK energy supply business.

Iain Conn, Centrica Group Chief Executive

"We continue to make good progress in implementing our customer-facing strategy, building on the underlying momentum we had as we entered 2017. Customer service is improving, we have launched new offers delivering choice for customers and rewarding loyalty and we continue to develop our technology capabilities. We remain on track to deliver against our 2017 targets."

Year to date performance and strategic progress

- Centrica Consumer and Business divisions established.
- Continued improvements in customer service levels; energy supply complaints down across all markets.
- UK Home energy supply accounts down 261,000 in the year to date, reflecting the planned roll-off of collective switch tariffs and a greater shift towards enhanced segmentation and customer value, not only volume.
- UK Home energy standard tariff frozen until August; British Gas Rewards programme

commenced in April with new offers to be launched throughout the year.

- Connected Home revenue 30% higher to the end of April 2017 compared to the same period in 2016; over 600,000 connected hubs installed and over 900,000 connected products sold to date; Hive Active Thermostat now launched in North America.
- Higher realised unit margins in North America Home energy supply and good optimisation performance in North America Business, continuing the performance momentum from H2 2016 despite warmer than normal weather.
- UK Business gross margin impacted by warm weather, electricity cost volatility and the phasing of energy volume settlements.
- Strong Energy Marketing & Trading performance; Neas Energy continuing to perform ahead of expectations.
- Commenced construction of a new fast response distributed energy gas plant at Brigg and a new battery storage facility at Roosecote; Distributed Energy & Power secured revenue up 5% since the end of 2016; new ENER-G Cogen factory opened in New Jersey.
- E&P production broadly on plan to the end of April despite an extended maintenance outage at Morecambe, with the Cygnus gas field performing ahead of expectations.
- Divestment programme on track, with completion of Trinidad and Tobago E&P assets expected later in H1 and Canada E&P sale targeted for 2017.

UK energy supply market

In April, the Prime Minister announced a UK General Election would be held on 8 June 2017 and the Conservative Party have announced that their manifesto would include an intervention in the UK energy supply market, with a price cap widely speculated to be one option considered. Centrica does not believe in any form of price regulation. Evidence from other countries would suggest this will lead to reduced competition and choice, and potentially higher average prices. However our focus on competitive pricing, cost efficiency, improved service levels, rewarding loyalty and delivering propositions which customers want should leave us competitively well-positioned in order to deal with whatever form of market change is ultimately enacted. We have had a regular and constructive dialogue with the Government and have proposed alternative ways to improve the market further and address their concerns, without resorting to price regulation.

Capital Markets Day and Interim Results

Centrica will be hosting a Capital Markets Day on 21 June 2017 to provide more insight into the Group's Consumer and Business strategic frameworks and to showcase its capabilities and technologies. The Company is due to release its 2017 Interim Results on 1 August 2017.

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