

centrica

Centrica plc Interim Results

for the period ending 30 June 2020



**Satisfying the
changing needs
of our customers
Enabling the
transition to a lower
carbon future**



Forward-looking statements

This presentation includes statements that are, or may be deemed to be, forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms anticipates, believes, could, estimates, expects, intends, may, plans, projects, should or will, or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this announcement and include, but are not limited to, statements regarding Centrica plc ("Centrica") and its intentions, beliefs or current expectations concerning, among other things, the business, results of operations, prospects, growth and strategies of the Centrica group ("Group") and Direct Energy.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of operations of the Group or Direct Energy, and the developments in the industries in which they operate, may differ materially from those described in, or suggested by, the forward-looking statements contained in this announcement. In addition, even if the results of operations of the Group, or Direct Energy and the developments in the industries in which they operate are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, industry trends, competition, changes in law and regulation, currency fluctuations, changes in business strategy and political and economic uncertainty.

Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in this announcement reflect Centrica plc's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group and its operations, results of operations and growth strategy. Other than in accordance with its legal or regulatory obligations (including under the Listing Rules, the Disclosure Guidance and Transparency Rules and the Prospectus Rules), Centrica plc is not under any obligation and Centrica plc expressly disclaims any intention or obligation (to the maximum extent permitted by law) to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Non-IFRS measures

Centrica's directors and management believe that reporting adjusted measures provides additional useful information on business performance and underlying trends. These measures are not defined terms under IFRS and may not be comparable with similarly titled measures reported by other companies. In the ordinary course of the Group's reporting, Centrica's directors and management use "Adjusted Operating Profit" to evaluate segment performance. Adjusted Operating Profit is defined as operating profit before exceptional items and certain derivative re-measurements.

In addition, this presentation also makes reference to "Underlying Adjusted EBITDA". Direct Energy's Underlying Adjusted EBITDA has been calculated by taking Direct Energy's Adjusted Operating Profit for the year ended 31 December 2019 and adding back (i) an amount of central overhead costs allocated to Direct Energy in the year ended 31 December 2019, (ii) an amount of bonus accruals subsequently cancelled in July 2020 and not paid and (iii) an amount of depreciation and amortisation taken into account in calculating the operating costs of Direct Energy.

Full details explaining how these measures have been calculated and reconciled to the historical financial information prepared in respect of Direct Energy for the purpose of the Transaction will be set out in the circular that Centrica will issue in due course.

No profit forecasts or estimates

Unless otherwise stated, no statement in this announcement is intended as a profit forecast or estimate for any period and no statement in this announcement should be interpreted to mean that earnings, earnings per share or income, cash flow from operations or free cash flow for the Group or Direct Energy, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings, earnings per share or income, cash flow from operations or free cash flow for the Group or Direct Energy as appropriate.

No offer or solicitation

This announcement is not a circular or a prospectus and is not intended to, and does not constitute or form part of any offer or invitation to purchase, acquire, subscribe for, sell, dispose of or issue, or any solicitation of any offer to sell, dispose of, purchase, acquire or subscribe for, any security. Centrica's shareholders are advised to read carefully the circular that Centrica will publish in due course.



Chris O'Shea
Group Chief Executive

First half summary

- Resilient performance overall against the backdrop of Covid-19
- Focus has been on protecting the business and keeping customers warm, safe and supplied with energy
- Good customer service levels maintained
- Adjusted operating profit down by £56m compared to H1 2019
 - Negative impacts of Covid-19 and low commodity prices largely offset by mitigating actions and improved underlying performance
- Adjusted EPS broadly flat at 2.5p
- Robust cash flows and liquidity, with net debt down by £0.4bn to £2.8bn
- No full year financial guidance and no interim dividend declared
- Well positioned to navigate current and future uncertainties



Helping colleagues, customers and communities through COVID-19



Colleagues

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



Customers

- Kept customers warm, safe and supplied with energy and essential services
- Additional help for vulnerable customers through advance credit for prepay customers or deferred payments for credit customers
- Appropriate safeguards and PPE in place for all customer visits



Communities

- Over 4 million meals delivered by British Gas engineers through our partnership with the Trussell Trust
- Helped to fund Carers UK's extended hours service for its helpline, following a 60% increase in calls and emails
- Partnered with Sagesse in Alberta to promote the campaign focused on recognising signs of domestic violence

Proposed sale of Direct Energy

Transaction headlines

- Proposed sale of Direct Energy, comprising North America Home and North America Business, to NRG Energy for \$3.625bn (£2.85bn) in cash, on a debt free, cash free basis
- Attractive valuation, representing 7.9x 2019 underlying adjusted EBITDA and significantly higher than currently reflected in Centrica's market value
- Transaction is conditional upon approval by Centrica's shareholders and various other regulatory approvals
- Transaction expected to complete in the fourth quarter of 2020

Strategic rationale

- Allows Centrica to focus on its core markets of the UK and Ireland, where we have leading market positions
- Increases the long term strength of the balance sheet, with proceeds intended to be used to significantly reduce net debt and to make a material contribution to Centrica's defined benefit pension schemes
- More predictable and stable cash flows
- Increased proportion of cashflows from contracted services and the removal of North America Business earnings volatility

Accelerated focus on simplifying and modernising Centrica

- Centrica remains a customer-focused energy services and solutions company, helping customers transition to a low carbon future
- Significant Group restructure underway, putting the customer at the heart of everything we do and accelerating planned cost savings
- Direct Energy divestment further simplifies the Group, allows increased focus on core UK and Ireland activities and strengthens the balance sheet
- Spirit Energy divestment process to restart once commodity and financial markets have settled
- Nuclear divestment process currently paused



Johnathan Ford
Chief Financial Officer

Operating profit

ADJUSTED OPERATING PROFIT

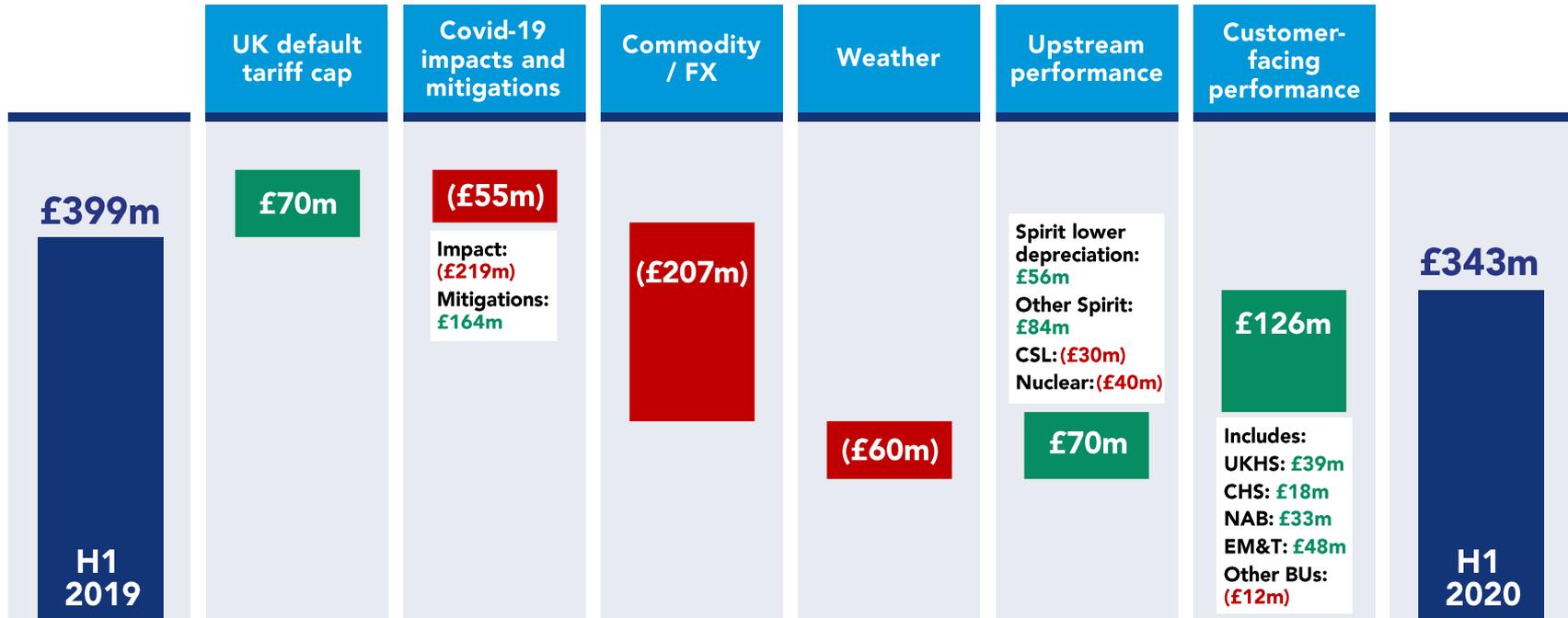
Period ended 30 June (£m)	2019	2020	Δ
UK Home	181	229	27%
Ireland	31	30	(3%)
North America Home	77	99	29%
Centrica Home Solutions	(49)	(29)	41%
Total Centrica Consumer	240	328	37%
UK Business	19	(39)	nm
North America Business	(14)	(47)	(236%)
Centrica Business Solutions	(27)	(34)	(26%)
Energy Marketing & Trading	32	115	259%
Total Centrica Business	9	(4)	nm
Total Upstream	150	19	(87%)
Total Centrica	399	343	(14%)

Period ended 30 June 2020	£m
Adjusted operating profit	343
Pre-tax exceptional items	(1,036)
<i>Impairment of E&P assets</i>	(381)
<i>Impairment of power assets</i>	(404)
<i>Restructuring costs</i>	(251)
Pre-tax net re-measurements	558
Statutory operating (loss)	(135)

Figures may not add down due to rounding.

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

Adjusted operating profit drivers



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

Covid-19 impacts on first half operating profit

Business energy demand

- UK Business H1 electricity demand down ~14%
- NA Business H1 electricity demand down ~6%

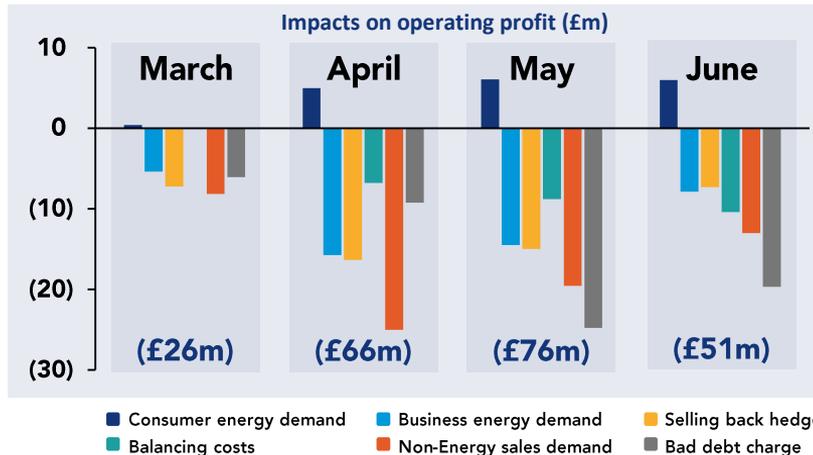
Sale of services and solutions

- UK H1 boiler installs down ~40%
- CBS sales opportunities limited

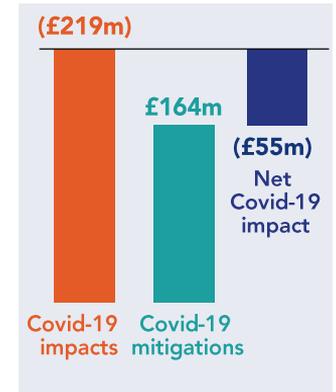
Cash collection and bad debt

- Cash collection in line with prior years
- Group bad debt provision increased by ~£60m

Significant negative impact on adjusted operating profit from Covid-19, but improvements in June ...



... and net impact on adjusted operating profit largely mitigated by actions taken



Robust cash flow and net debt performance

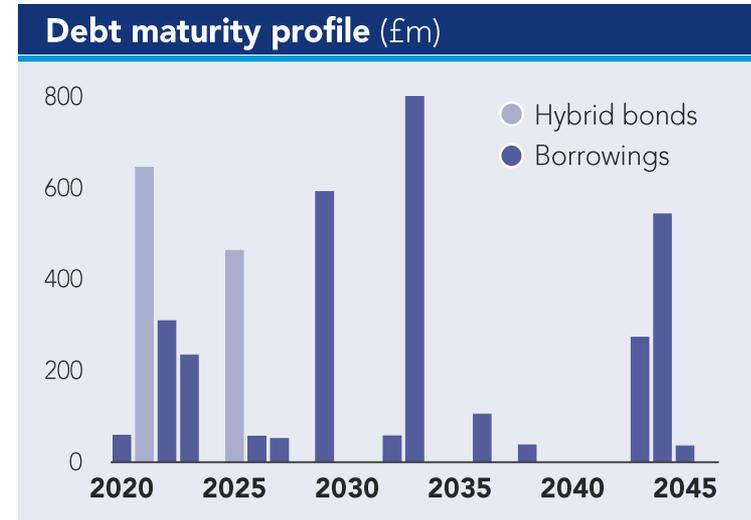
Period ended 30 June (£m)	2019	2020
EBITDA	1,075	869
Tax	(79)	(49)
Dividends received	-	23
Working capital / other	(252)	155
Net investment	(139)	(187)
<i>Organic investment (including small acquisitions)</i>	<i>(355)</i>	<i>(298)</i>
<i>Divestments</i>	<i>216</i>	<i>111</i>
Exceptional cashflows	(175)	(61)
Free cash flow	430	750

Period ended 30 June (£m)	2019	2020
Free cash flow	430	750
Interest	(79)	(82)
Dividends – Centrica shareholders	(383)	-
Dividends – Spirit minority shareholders	(124)	-
Pension deficit payment	(151)	(76)
Other financing cash flows affecting net debt	2	1
Adjusted cash flow affecting net debt	(305)	593
Opening net debt (as at 1 January)	(2,656)	(3,181)
Movements due to transition to IFRS 16	(394)	-
Adjusted cash flow movements	(305)	593
Other movements	(22)	(191)
Closing net debt	(3,376)	(2,779)
Margin cash balances	(532)	(286)
Closing net debt (including margin cash)	(3,908)	(3,065)

A reconciliation of free cash flow is provided in the Group Financial Review in the Interim Results announcement. See pages 56 to 57 in the Interim Results announcement for an explanation of the use of adjusted performance measures.

A strengthened balance sheet

- H1 2020 net debt down £0.4bn vs end 2019 to £2.8bn
- Strong liquidity
 - £1.3bn of available cash
 - £2.9bn of undrawn committed credit facilities
- Continue to target strong investment grade credit ratings
- Long dated debt profile, average cost of debt 4.5%
- IAS 19 net pension deficit increased from £163m to £522m
- Triennial pension funding deficit of £1.4bn as at 31 Mar 2018
 - Total contributions £175m p.a 2020-25
 - Deficit of £2.4bn on a roll-forward basis as at 30 Jun 2020
- Next triennial pensions valuation due as at 31 Mar 2021
- Sale of Direct Energy significantly strengthens balance sheet



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Chris O'Shea
Group Chief Executive

We have a clear view on how to deliver the turnaround

- We will prioritise and focus on the areas where we can win
- We will move our focus from unsustainable tactical cost cutting to strategic commercial growth opportunities in our core businesses
- We will reduce management obstacles to give colleagues space to operate, increasing empowerment, engagement and productivity
- We will become more agile to improve the execution of our strategy
- All colleagues will be focused on our customers



We have leading market positions and capabilities

We need to focus on where we have scale and the ability to win

United Kingdom

#1 in energy supply
with **7m** customers



#1 in home services
with **4m** customers

#2 in SME energy supply
with **300k** customers



~50% share
of total smart
thermostats installed



~8,000
engineers and technicians



Ireland

#2 in Ireland B2C
energy supply



International

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Business Solutions

End-to-end design, install
and maintain capabilities

Market leading virtual
power plant capabilities

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Energy Trading

Strong wholesale and
trading capabilities

10GW renewable route
to market capacity

We are restructuring to simplify and modernise the Group

- Reducing the numbers of layers in the company from 9 to 6
- Removing over half the Group's managers
- Simpler customer service model with each customer served by only one business unit
- Modernising working practices and terms and conditions
 - Being there when the customer needs us
- Structural reduction in overhead activity and expense



We have a clear vision for Centrica

- An energy services and solutions company
- Simpler, leaner, customer-focused business model
- Engaged and empowered colleagues
- Stable and predictable profits and free cash flow
- Reduced risk and a strong balance sheet



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Appendix

Revenue

Period ended 30 June (£m)	2019 ¹	2020	Δ
UK Home	4,335	4,099	(5%)
Ireland	464	416	(10%)
North America Home	1,366	1,351	(1%)
Centrica Home Solutions	34	20	(41%)
UK Business	1,023	986	(4%)
North America Business	4,225	3,443	(19%)
Centrica Business Solutions	120	109	(9%)
Energy Marketing & Trading	1,782	1,482	(17%)
Spirit	912	683	(25%)
CSL	151	63	(58%)
Nuclear	230	237	3%
Gross revenue	14,642	12,889	
Inter-group revenue	(834)	(368)	
Total Centrica	13,808	12,521	(9%)

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

Adjusted gross margin

Period ended 30 June (£m)	2019 ¹	2020	Δ
UK Home	797	778	(2%)
Ireland	78	83	6%
North America Home	307	277	(10%)
Centrica Home Solutions	8	6	(25%)
Total Centrica Consumer	1,190	1,145	(4%)
UK Business	106	49	(54%)
North America Business	155	118	(24%)
Centrica Business Solutions	32	26	(19%)
Energy Marketing & Trading	112	147	31%
Total Centrica Business	404	340	(16%)
Spirit	237	101	(57%)
CSL	66	8	(88%)
Nuclear	30	(14)	nm
Total Upstream	333	96	(71%)
Total Centrica	1,927	1,581	(18%)

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

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

EBITDA

Period ended 30 June (£m)	2019 ¹	2020	Δ
UK Home	252	304	21%
Ireland	40	38	(5%)
North America Home	96	112	17%
Centrica Home Solutions	(39)	(19)	51%
Total Centrica Consumer	350	436	25%
UK Business	27	(30)	nm
North America Business	7	(25)	nm
Centrica Business Solutions	(16)	(17)	(6%)
Energy Marketing & Trading	78	131	68%
Total Centrica Business	95	60	(37%)
Spirit	467	326	(30%)
CSL	100	8	(92%)
Nuclear	25	(14)	nm
Total Upstream	592	320	(46%)
Other	38	54	42%
Total Centrica	1,075	869	(19%)

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

Adjusted operating profit

Period ended 30 June (£m)	2019 ¹	2020	Δ
UK Home	181	229	27%
Ireland	31	30	(3%)
North America Home	77	99	29%
Centrica Home Solutions	(49)	(29)	41%
Total Centrica Consumer	240	328	37%
UK Business	19	(39)	nm
North America Business	(14)	(47)	(236%)
Centrica Business Solutions	(27)	(34)	(26%)
Energy Marketing & Trading	32	115	259%
Total Centrica Business	9	(4)	nm
Spirit	90	33	(63%)
CSL	58	1	(98%)
Nuclear	2	(16)	nm
Total Upstream	150	19	(87%)
Total Centrica	399	343	(14%)

The above adjusted figures are before exceptional items and certain re-measurements. Adjusted operating profit includes share of joint ventures and associates after interest and taxation.

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

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

Adjusted operating cash flow

Period ended 30 June (£m)	2019 ¹	2020	Δ
UK Home	150	193	29%
Ireland	49	36	(27%)
North America Home	83	146	76%
Centrica Home Solutions	(32)	(21)	34%
Total Centrica Consumer	250	354	42%
UK Business	111	42	(62%)
North America Business	(30)	96	nm
Centrica Business Solutions	(39)	(13)	67%
Energy Marketing & Trading	(7)	216	nm
Total Centrica Business	34	342	906%
Spirit	327	253	(23%)
CSL	106	30	(72%)
Nuclear	27	19	(30%)
Total Upstream	460	302	(34%)
Total Centrica adjusted operating cash flow	744	998	34%
Net investment	(139)	(187)	(35%)
Exceptional cashflows	(175)	(61)	65%
Free cash flow	430	750	74%

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

A reconciliation of adjusted operating cash flow is provided in the Group Financial Review in the Interim Results announcement.

Centrica Consumer

Period ended 30 June (£m)	2019	2020	Δ
Adjusted operating profit / (loss)			
UK Home	181	229	27%
<i>Energy</i>	86	93	8%
<i>Services</i>	95	136	43%
Ireland	31	30	(3%)
North America Home	77	99	29%
<i>Energy</i>	80	98	23%
<i>Services</i>	(3)	1	nm
Centrica Home Solutions	(49)	(29)	41%
Centrica Consumer	240	328	37%
Adjusted operating cash flow			
Centrica Consumer	250	354	42%
<i>Adjusted operating profit / (loss)</i>			
<i>Ireland (€m)</i>	<i>36</i>	<i>35</i>	<i>(3%)</i>
<i>North America Home (\$m)</i>	<i>100</i>	<i>125</i>	<i>25%</i>

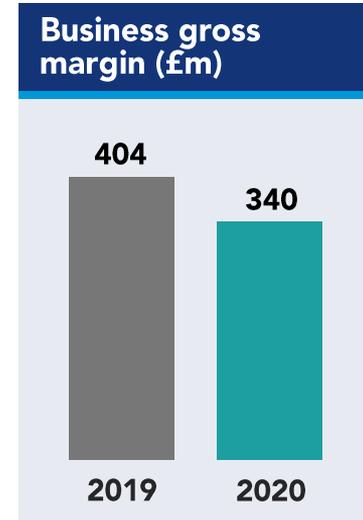


● Rest of world
● UK

The above adjusted figures are before exceptional items and certain re-measurements. Adjusted operating profit includes share of joint ventures and associates after interest and taxation. Reconciliations of adjusted operating profit, adjusted earnings and adjusted operating cash flow are provided in the Group Financial Review in the Interim Results announcement.

Centrica Business

Period ended 30 June (£m)	2019 ¹	2020	Δ
Adjusted operating profit / (loss)			
UK Business	19	(39)	nm
North America Business	(14)	(47)	(236%)
Centrica Business Solutions	(27)	(34)	(26%)
Energy Marketing & Trading (EM&T)	32	115	259%
<i>Core EM&T activities</i>	50	142	184%
<i>Legacy gas contracts</i>	(18)	(27)	(50%)
Centrica Business	9	(4)	nm
Adjusted operating cash flow			
Centrica Business	34	342	906%
<i>Adjusted operating profit / (loss)</i>			
<i>North America Business (\$m)</i>	<i>(19)</i>	<i>(60)</i>	<i>(216%)</i>



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

The above adjusted figures are before exceptional items and certain re-measurements. Adjusted operating profit includes share of joint ventures and associates after interest and taxation. Reconciliations of adjusted operating profit, adjusted earnings and adjusted operating cash flow are provided in the Group Financial Review in the Interim Results announcement.

Upstream

Period ended 30 June (£m)	2019 ¹	2020	Δ
Adjusted operating profit / (loss)			
Spirit	90	33	(63%)
CSL	58	1	(98%)
Nuclear	2	(16)	nm
Centrica Upstream	150	19	(87%)
Adjusted operating cash flow			
Centrica Upstream	460	302	(34%)

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

The above adjusted figures are before exceptional items and certain re-measurements. Adjusted operating profit includes share of joint ventures and associates after interest and taxation. Reconciliations of adjusted operating profit, adjusted earnings and adjusted operating cash flow are provided in the Group Financial Review in the Interim Results announcement.

Upstream – Exploration & Production

E&P

Period ended 30 June (£m)	2019	2020	Δ
Gas and liquids realisations	972	667	(31%)
Adjusted operating profit	148	34	(77%)
Adjusted operating cash flow	433	283	(35%)
Free cash flow ¹	246	87	(65%)

Upstream production (mmboe)

2019 H1	24.5	5.2
2020 H1	23.7	1.7

● Spirit Energy
● CSL

Achieved gas sales price (p/therm)

2019 H1	43.6
2020 H1	35.0

Achieved liquids sales price (£/boe)

2019 H1	44.1
2020 H1	34.5

Lifting & other cash production costs (£/boe)

2019 H1	14.4	7.1
2020 H1	←12.3	21.0

● Spirit Energy
● CSL

1. 2019 Free cash flow restated due to alignment with Group methodology.

The above figures are stated before exceptional items and certain re-measurements and include share of joint ventures and associates after interest and taxation. Reconciliations of adjusted operating profit and adjusted operating cash flow are provided in the Group Financial Review and other adjusted performance measures are explained on pages 56 to 57 in the Interim Results announcement.

Upstream – Nuclear

NUCLEAR

Period ended 30 June (£m)	2019	2020	Δ
Adjusted operating profit (£)	2	(16)	nm
Nuclear power generated (GWh)	4,900	4,537	(7%)
Achieved power price (£/MWh)	47.5	53.0	12%

Achieved power price (£/MWh)

2019 H1	47.5
2020 H1	53.0

Power Generated Total (GWh)

2019 H1	4,900
2020 H1	4,537

The above figures are stated before exceptional items and certain re-measurements and include share of joint ventures and associates after interest and taxation. Reconciliation of adjusted operating profit is provided in the Group Financial Review and other adjusted performance measures are explained on pages 56 to 57 in the Interim Results announcement.

Net investment

Period ended 30 June (£m)	2019 ²	2020
Centrica Consumer	81	46
Centrica Business	50	21
Exploration & Production	183	204
Other ¹	41	27
Capital expenditure (including small acquisitions)	355	298
Net disposals	(216)	(111)
Group net investment	139	187

1. Other includes Corporate Functions.

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

See pages 56 to 57 in the Interim Results announcement for an explanation of the use of adjusted performance measures.

Commodity prices



Brent oil, UK NBP gas and UK baseload power prices are month ahead prices as at 01 July 2020. Prices are calendar year averages of historic and forward prices for 2020 and 2021.

Centrica's climate change ambition and progress

'Enabling the transition to a lower carbon energy future'

Help our customers reduce emissions in line with Paris goals

2022

Help our customers reduce their emissions by 15%, by direct (target 2%) and indirect action

2030

Help our customers reduce their emissions by 25%, by direct (target 3%) and indirect action

Enable a decarbonised energy system

2022

Deliver 4GW of flexible, distributed and low-carbon technologies as well as provide system access and optimisation services

2030

Deliver 7GW of flexible, distributed and low-carbon technologies as well as provide system access and optimisation services

Reduce our own emissions in line with Paris

2025

Reduce our 'internal carbon footprint' by 35% (from 2015)

2030

Be net zero by 2050 and communicate our pathway to it by 2030

Progress

2019

Delivered a 3.9% reduction in our customers average emissions in 2019 vs 2018, driven by Hive, smart meters, green tariff roll-out

2019

Delivered 2.7GW of flexible, distributed and low-carbon capacity, largely through growth in CHP in the UK and Solar in North America

2019

Reduced our 'internal carbon footprint' by 39% since 2015

CDP and TCFD



- CDP is a global non-profit that drives companies and governments to reduce their greenhouse gas emissions, safeguard water resources and protect forests. It was voted the number one climate research provider by investors.
- CDP's annual environmental disclosure and scoring process is widely recognised as the gold standard of corporate environmental transparency, working with institutional investors with assets of US\$96 trillion
- Centrica has regained the prestigious A rating in the Climate Change Submission
- 179 worldwide gained a place in the 'A List' of the over 8,300 companies (making up over 50% of global market cap) who disclosed under Climate in 2019. The 'A list' comprises the world's most pioneering companies leading on environmental transparency and performance.
 - Only 11 companies from UK achieved an A grade
 - Centrica is amongst the top 10 globally within our sector alongside Orsted, EDF, Engie and National Grid.

TCFD

TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES

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