Centrica plc
Preliminary Results

for the year ended 31 December 2021

Disclaimer

This presentation does not constitute an invitation to underwrite, subscribe for, or otherwise acquire or dispose of any Centrica shares or other securities.

This presentation contains certain forward-looking statements with respect to the financial condition, results, operations and businesses of Centrica plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts.

Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser.

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Chris O'Shea
Group Chief Executive

Setting the context

External environment

- Learning to live with Covid-19
- Unprecedented wholesale gas and power price levels and volatility
- Changing UK regulatory environment

2021 delivery

- Further progress in focusing and de-risking the portfolio
- Resilient financial results in a volatile market
- Disappointing British Gas Services & Solutions performance

Continued disciplined focus on shareholder returns

- Fixing the core business to provide platform for growth
- Deploying capital in distributed energy opportunities
- Clear path to restarting a dividend

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The turnaround of Centrica

Simplify and de-risk the portfolio and strengthen the balance sheet

- Portfolio simplification and de-risking materially complete
  - Direct Energy sale completed
  - Spirit Energy Norway sale announced
- Balance sheet strengthened
  - Reduced decommissioning liabilities
  - Net cash position at year end

Stabilise the business and improve operational performance

- Significant Group restructure
  - Focused business units
  - Increased empowerment
  - Customer focus
- New terms and conditions in place
- Increasing colleague engagement

Deliver growth and position ourselves for net zero

- Building capability and engineer capacity
- Offering customers net zero propositions
- Investigating energy transition opportunities for existing assets
- Investing in flexible distributed power generation

Kate Ringrose
Chief Financial Officer

Robust financial performance in 2021

Year ended 31 December (£m)	2020	**2021**	Δ
From continuing operations:			
Adjusted revenue	14,949	18,300	22%
Adjusted gross margin	2,333	2,870	23%
Adjusted operating costs	(1,909)	(1,819)	(5%)
Adjusted operating profit[1]	447	948	112%
Net finance cost	(215)	(187)	(13%)
Group tax charge (incl. JV tax)	(67)	(433)	546%
Group effective tax rate	26%	59%	33ppt
Adjusted earnings	165	237	44%
Adjusted EPS	**2.8p**	**4.1p**	**46%**
Adjusted EPS excluding Spirit Energy assets held for sale		*2.8p*	

1. Includes share of profits / (losses) from JVs and associates, net of interest and taxation, of £23m in 2020 and £(103)m in 2021.

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Growth in operating profit after tax

Year ended 31 December (£m)	Operating profit 2020	Operating profit 2021	Operating profit Δ	Tax 2020	Tax 2021	Tax Δ	Operating profit after tax 2020	Operating profit after tax 2021	Operating profit after tax Δ
British Gas Services & Solutions	191	121	(70)	(59)	(23)	36	132	98	(34)
British Gas Energy	82	118	36	(23)	(15)	8	59	103	44
Centrica Business Solutions	(132)	(52)	80	11	7	(4)	(121)	(45)	76
Bord Gáis Energy	42	28	(14)	(5)	2	7	37	30	(7)
Energy Marketing & Trading	174	70	(104)	(35)	(13)	22	139	57	(82)
Upstream	90	663	573	28	(452)	(480)	118	211	93
Spirit Energy	*84*	*624*	*540*	*32*	*(450)*	*(482)*	*116*	*174*	*58*
CSL	*23*	*77*	*54*	*(11)*	*11*	*22*	*12*	*88*	*76*
Nuclear	*(17)*	*(38)*	*(21)*	*8*	*(12)*	*(20)*	*(9)*	*(50)*	*(41)*
Total Continuing Operations	**447**	**948**	**501**	**(83)**	**(494)**	**(411)**	**364**	**454**	**90**

Refer to slide 28 for a reconciliation of 2020 to prior segmentation.
The above adjusted figures are before exceptional items and certain re-measurements. Adjusted operating profit includes share of joint ventures and associates after interest and taxation.
A reconciliation of adjusted operating profit is provided in the Group Financial Review in the Preliminary Results announcement.

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Robust cash flow generation and a stronger balance sheet

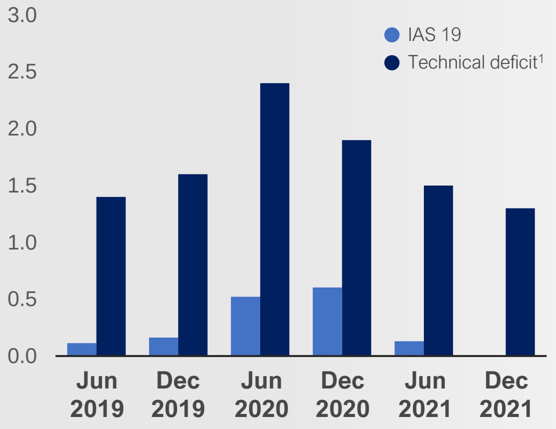
Year ended 31 December (£m)	2020	2021	Δ
EBITDA from continuing operations	**1,336**	**1,850**	**38%**
Tax	(2)	(140)	
Dividends received	62	2	
Working capital / other	(72)	(81)	
Decommissioning spend	(63)	(55)	
Net investment	(456)	(326)	
Exceptional cash flows	(120)	(76)	
Free cash flow from continuing ops	**685**	**1,174**	**71%**
Free cash flow from discontinued ops	376	2,588	
Total free cash flow	**1,061**	**3,762**	**255%**

Year ended 31 December (£m)	2020	2021
Free cash flow from continuing operations	**685**	**1,174**
Interest	(195)	(231)
Pension deficit payment	(175)	(368)
Movements in margin cash	56	481
Other financing cash flows affecting net debt	(30)	1
Adjusted cash flow affecting net debt – cont.	**341**	**1,057**
Adjusted cash flow affecting net debt – discont.	**413**	**2,588**
Adjusted cash flow affecting net debt – total	**754**	**3,645**
Opening net debt[1] (as at 1 January)	**(3,507)**	**(2,998)**
Adjusted cash flow movements	754	3,645
Non cash movements	(245)	33
Closing net debt	**(2,998)**	**680**

1. Net debt includes margin cash balances. Margin cash balance at 31 December 2021 is £411m.

A strong balance sheet key to growing shareholder value

- Robust balance sheet and strong investment grade credit ratings
- Triennial pensions review expected to conclude in H1 2022
- Seeking to grow operating cash flows over time
- Focused cost management
- Disciplined deployment of capital
  - Maintenance capital of ~£100m p.a.
  - Potential investments in energy transition opportunities
- Deliver attractive shareholder returns
  - Restart dividend and grow over time



1. On a pure roll-forward basis from 31 March 2018, using the same methodology and consequent assumptions, the scheme funding (Technical Provisions) deficit would be in the region of £1.3bn as at 31 December 2021. The 31 March 2021 triennial review is underway and the valuation methodology and assumptions may differ from those previously used.

2022 outlook broadly positive

- Higher commodity prices positive for Upstream
  - Higher DDA rates
  - Remain exposed to outage risk
  - Spirit Energy UK production down ~10%
- EM&T legacy gas contract losses ~£50m; LNG profitable
- Wide range of outcomes for British Gas Energy
- No immediate bounce-back in British Gas Services & Solutions
- Positioned to deliver growth in most customer-facing businesses
- Maintain focus on risk management and balance sheet strength

Chris O'Shea
Group Chief Executive

Looking to the future

01 **Re-engaging our colleagues and growing our customer base**
Starting to see some signs of progress

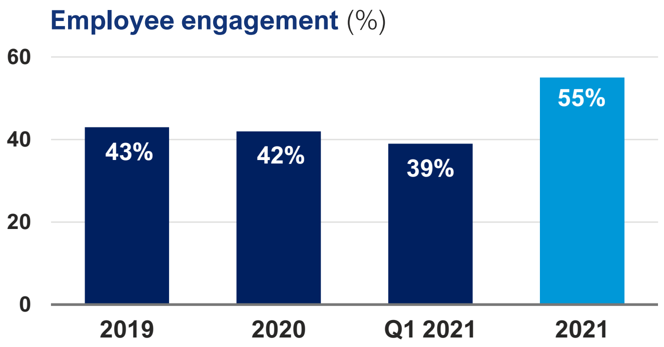
02 **UK energy retail market**
What's happened and how will it be fixed?

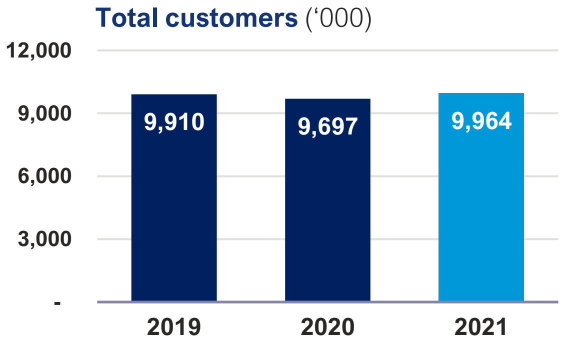
03 **British Gas Energy**
Migrating our systems to capture future opportunities

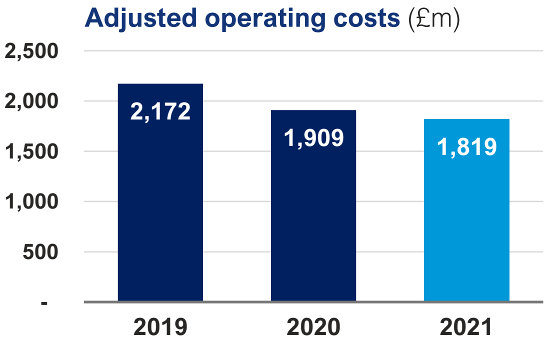
04 **British Gas Services**
Fixing our service levels and unlocking net zero

05 **Investing in the energy transition**
Distributed generation portfolio and optimisation

Re-engaging our colleagues and growing our customer base







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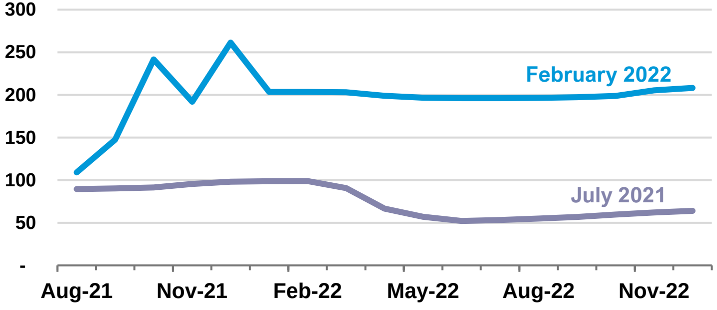
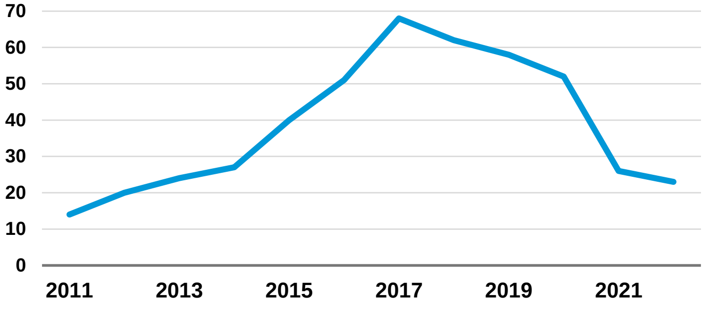
UK energy market severely impacted by high wholesale prices

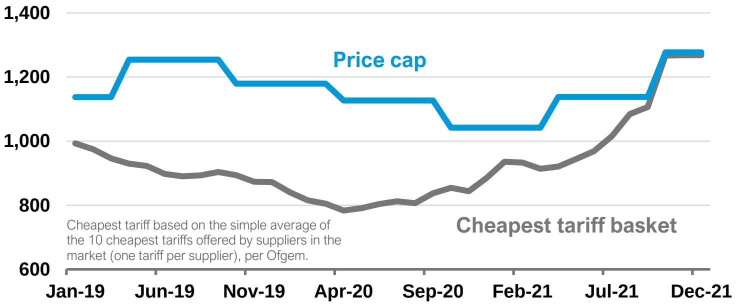
NBP gas prices (p/th)



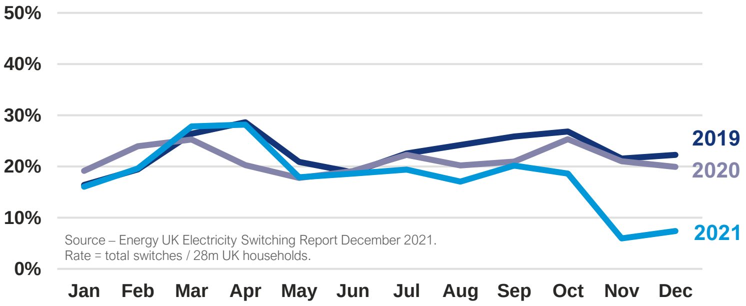
UK residential energy suppliers



Price cap differential to cheapest tariff (£)



UK residential annualised customer churn

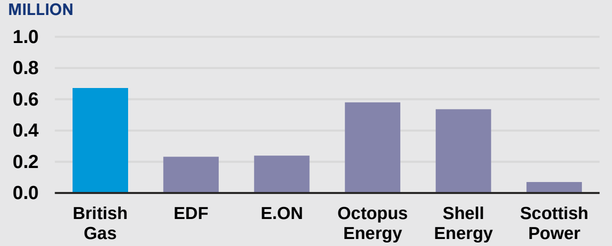


How will the UK energy supply retail market be fixed?

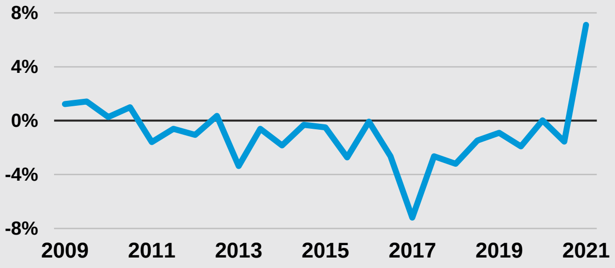
- We have played a significant part in stabilising the market
  - Responsible business model
  - Disciplined approach to hedging and risk management
    - EM&T plays a valuable role
  - Ensured continued supply for 700k customers through SOLR
- We need to see substantial change in regulation
  - Stronger prudential regulation required
    - British Gas voluntarily separating customer deposits
  - Focus of regulation needs to change
    - Customer requirements rather than customer switching
- Continue to engage constructively with government, regulator and other industry participants to drive sustainable market reform

SOLR customers by supplier

August 2021 to January 2022



British Gas customer growth by half year



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Distributed generation portfolio and optimisation

UK energy supply market going through rapid change

- Substantial increase in electrification
  - Increased numbers of electric vehicles
  - Growth in electricity use for heating
- Need to ensure we give our customers what they want
  - Flexibility in electricity use and billing
  - Dynamic time of use tariffs
- Migrating systems to a lower-cost, ‘software as a service’ platform
  - More flexible billing ability
  - Modern and agile customer-focused ways of working
  - Preparing for the future
  - Driving down costs
- Remain focused on improving customer experience and efficiency
  - British Gas Energy NPS up 5 points to +14; complaints up
  - British Gas cost per customer down £9 to £93

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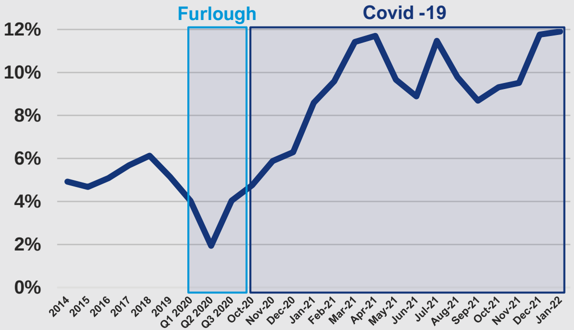
Preparing to capture future opportunities

- Energy transition opportunities
  - We are the largest installer and servicer of heating systems
    - Electrification as much of an opportunity as hydrogen
  - We are the biggest installer of smart meters
    - Needed to deliver the flexibility our network will require
  - We need to grow in the electric vehicle market
    - Crucial to integrating home energy management
- Rebuilt ability to sell directly
  - Years of reliance on price comparison websites
- Making our operations fit for a net zero future
  - New modern planning and dispatch system by end of 2022
- 2022 focus is on materially improving our customer service
  - Maintain customer retention >80%

Driving change in British Gas Services & Solutions

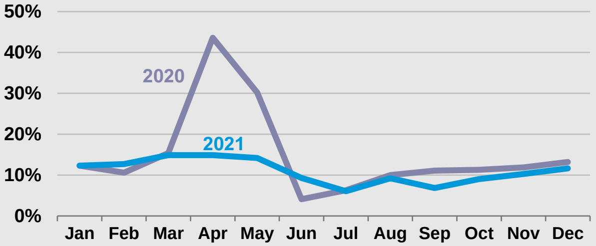
- Disappointing 2021 performance primarily driven by:
  - Covid-19
  - Industrial action
  - Supply chain issues
- Temporary market issues likely to continue into 2022
  - Including UK labour market shortages

Engineer absence rates

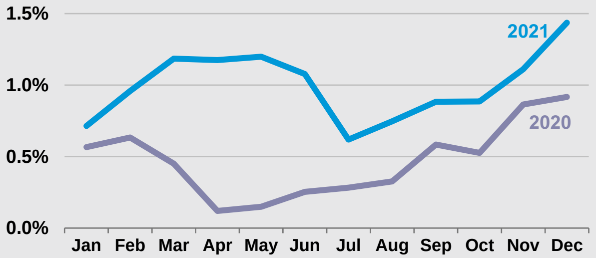


- **Absence rates more than doubled during Covid-19**
- **~0.5m working hours lost:**
  - increased contractor costs to provide cover
  - Letting customers down

Rescheduled appointments

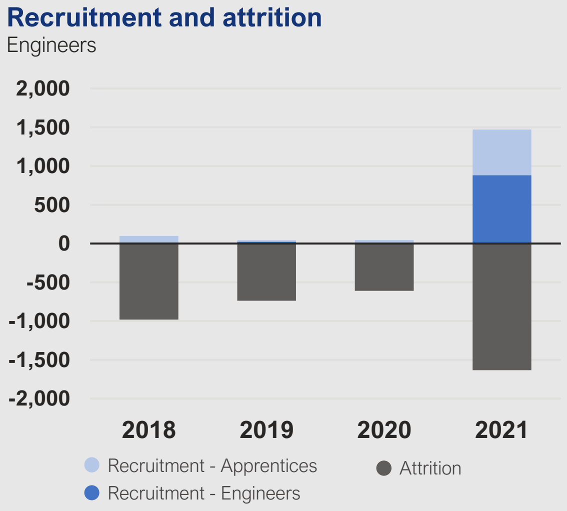


Customer complaints



Building the workforce of the future

- Need to rebuild direct labour workforce after years of decline
  - Largest services field force in the UK with ~7,000 engineers
  - Reduced materially over recent years
- Terms and conditions changes painful but necessary
  - Allows us to rebuild our workforce
- Material shortage of heating engineers in the UK
  - Apprentice recruitment increasingly critical
  - In-house training academies a competitive advantage
- Workforce changes will set us up to capitalise on decarbonisation
  - Increased flexibility to enhance the customer experience
  - Near-term negative productivity impact with higher apprentices
  - Productivity improvements over time will reduce cost of direct labour



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Selective asset ownership de-risks the Group and creates potential for growth

- Portfolio simplification and de-risking materially completed
- Spirit Energy focused on UK and Netherlands
  - Cash generated retained for decommissioning
  - No investment in new exploration
- Retaining optionality for net zero projects
  - Spirit Energy UK, Rough
- Nuclear a source of zero carbon power generation
- Investment in high return flexible, distributed generation
  - Peaking plants – methane then hydrogen
  - Battery
  - Solar
- Strategic focus on an integrated offering built around the energy customer

Creating a more sustainable and profitable company

- Turnaround of Centrica progressing
  - Portfolio simplified and de-risked
  - Major restructuring materially completed
  - Balance sheet strengthened
- Well placed to handle the energy market crisis
  - Leading capabilities in energy procurement and risk management
  - Strong balance sheet supports customers
- 2022 focus on improving operational performance
  - Particular focus on customer service
- Net zero a significant opportunity
  - Energy, services and related asset investments
- Clear path to restarting a dividend

Appendix

2020 adjusted operating profit re-segmentation

Year ended 31 December (£m) Previous segments	**2020 as reported**	Small Business Energy	Metering	**2020 restated**
British Gas Services & Solutions	201		(10)	191
British Gas Energy	80	(8)	10	82
Centrica Business Solutions	(140)	8		(132)
Energy Supply	*(55)*	*8*		*(47)*
Solutions	*(85)*			*(85)*
Bord Gáis Energy	42			42
Energy Marketing & Trading	174			174
Upstream	90			90
Group adjusted operating profit	**447**			**447**

Remeasurements and exceptional items

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EXCEPTIONAL ITEMS AND STATUTORY PROFIT

Year ended 31 December (£m)	2021
Adjusted operating profit from cont. ops	**948**
Re-measurements - Energy supply	*3,917*
Onerous energy supply contract provision	*(2,530)*
Re-measurements - Upstream and EM&T	*(2,628)*
E&P asset write-backs	*838*
Power Generation asset write-backs	*747*
Impairment of E&P disposal group	*(244)*
Impairment of Centrica Business Solutions	*(123)*
Fair value uplift—Centrica Innovations investment	*15*
Restructuring provision release	*14*
Statutory operating profit from cont. ops	**954**
Profit on disposal of discontinued ops	613
Statutory operating profit	**1,567**

Disclaimer: Rules of thumb

The rules of thumb were provided in February 2022 based on the then current prevailing range of gas and power prices. They are illustrative and are intended as directional only and exclude any potential impairment or impairment write-back. The actual impact of price changes in the exploration and production and power environments on Centrica's profit after tax will likely differ from the indicators and do not represent any forecast, target or expectation as to future results or performance.

These rules of thumb are directionally approximate and based upon Centrica's current portfolio. Please note that the relationship between oil, gas and power prices and results is not necessarily linear across a wide range of oil and gas prices. Changes in margins, differentials, seasonal demand patterns, operational issues, tax rates and other factors including timing of acquisition and divestment activity indicated, also materially impact the profit after tax impact of a change in underlying commodity prices. In addition, profit after tax and cash flow impact may differ due the timing of tax payments. Furthermore, there are a number of other factors that could cause actual results or developments to differ materially from those implied by the application of these rules of thumb.

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Rules of thumb: E&P and Nuclear

Please refer to disclaimer on slide 30 of this presentation before using this information.
The table shows Centrica's earnings and free cash flow (FCF) sensitivity to changes in commodity prices on a hedged basis for 2022 as at 1 February 2022

	Movement	2022 Earnings impact	2022 FCF impact
Spirit Gas [1]	5p/therm	~£2m	~£6m
CSL Gas	5p/therm	~£3m	~£3m
Baseload power	£5/MWh	~£11m	~£11m

1. Excludes gas from assets held for sale.
Sensitivities are based on 90% of 2021 volumes for retained Spirit assets and 100% of 2021 CSL and Nuclear volumes.
Earnings impact assumes blended tax rates of Spirit Energy 40%, CSL 40% and UK nuclear 19%.

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Revenue

Year ended 31 December (£m)	2020[1]	**2021**	Δ
Continuing operations			
British Gas Services & Solutions	1,547	1,513	(2%)
British Gas Energy	7,007	7,513	7%
Centrica Business Solutions	1,526	1,981	30%
Bord Gáis Energy	820	1,111	35%
Energy Marketing & Trading	2,917	6,082	109%
Upstream	1,918	2,282	19%
Group revenue included in business performance	**15,735**	**20,482**	**30%**
Discontinued operations			
Direct Energy	9,483	0	(100%)
Gross revenue	**25,218**	**20,482**	**(19%)**
Inter-group revenue	(786)	(2,182)	178%
Total Centrica	**24,432**	**18,300**	**(25%)**

2020 restated to reflect the new operating structure of the Group.

Adjusted gross margin

Year ended 31 December (£m)	2020[1]	**2021**	Δ
Continuing operations			
British Gas Services & Solutions	664	574	(14%)
British Gas Energy	890	849	(5%)
Centrica Business Solutions	100	143	43%
Bord Gáis Energy	154	136	(12%)
Energy Marketing & Trading	281	242	(14%)
Upstream	244	926	280%
Adjusted gross margin from continuing operations	**2,333**	**2,870**	**23%**
Discontinued operations			
Direct Energy	862	0	(100%)
Total Group adjusted gross margin	**3,195**	**2,870**	**(10%)**

The above adjusted figures are before exceptional items and certain re-measurements.
2020 restated to reflect the new operating structure of the Group.

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EBITDA

Year ended 31 December (£m)	2020[1]	2021	Δ
Continuing operations			
British Gas Services & Solutions	263	164	(38%)
British Gas Energy	181	214	18%
Centrica Business Solutions	(79)	(4)	(95%)
Bord Gáis Energy	59	46	(22%)
Energy Marketing & Trading	216	119	(45%)
Upstream	612	1,252	105%
Other	84	59	(30%)
EBITDA	**1,336**	**1,850**	**38%**
Discontinued operations			
Direct Energy	299	0	(100%)
Total Group EBITDA	**1,635**	**1,850**	**13%**

The above adjusted figures are before exceptional items and certain re-measurements.
2020 restated to reflect the new operating structure of the Group.

Adjusted operating profit

Year ended 31 December (£m)	2020[1]	**2021**	Δ
Continuing operations			
British Gas Services & Solutions	191	121	(37%)
British Gas Energy	82	118	44%
Residential energy supply	*101*	*115*	*14%*
Business energy supply	*(19)*	*3*	*Nm*
Centrica Business Solutions	(132)	(52)	(61%)
Energy supply	*(47)*	*1*	*Nm*
Solutions	*(85)*	*(53)*	*(38%)*
Bord Gáis Energy	42	28	(33%)
Energy Marketing & Trading	174	70	(60%)
Core EM&T activities	*232*	*155*	*(33%)*
Legacy gas contract	*(58)*	*(85)*	*47%*
Upstream	90	663	637%
Spirit	*84*	*624*	*643%*
CSL	*23*	*77*	*235%*
Nuclear	*(17)*	*(38)*	*124%*
Adjusted operating profit	**447**	**948**	**36%**

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

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

1. Refer to slide 28 for a reconciliation of 2020 to prior segmentation.

Net investment

Year ended 31 December (£m)	2020[1]	2021
Continuing operations		
British Gas Services & Solutions	(22)	(29)
British Gas Energy	(47)	(15)
Centrica Business Solutions	(29)	(33)
Bord Gáis Energy	(14)	(36)
Energy Marketing & Trading	(7)	(7)
Upstream	(430)	(290)
Other[2]	(29)	(24)
Net investment	**(578)**	**(434)**
Net disposals	122	108
Continuing net investment	**(456)**	**(326)**
Discontinued net investment	(19)	2,588
Total Group net investment	**(475)**	**2,262**

1. 2020 restated to reflect the new operating structure of the Group.
2. Other includes Corporate Functions..

See pages 84 to 87 in the Preliminary Results announcement for an explanation of the use of adjusted performance measures.

Free cash flow

Year ended 31 December (£m)	2020[1]	2021	Δ
Continuing operations			
British Gas Services & Solutions	260	170	(35%)
British Gas Energy	(29)	16	Nm
Centrica Business Solutions	(50)	22	Nm
Bord Gáis Energy	35	3	(91%)
Energy Marketing & Trading	241	206	(15%)
Upstream	193	835	333%
Other	37	62	68%
Segmental free cash flow	**687**	**1,314**	**91%**
Discontinued operations			
Direct Energy	401	2,597	548%
Group total free cash flow excluding tax			
Taxes paid from continuing operations	(2)	(140)	6,900%
Taxes paid from discontinued operations	(25)	(9)	(64%)
Total Group adjusted free cash flow	**1,061**	**3,762**	**255%**
Less discontinued operations free cash flow (including tax)	(376)	(2,588)	588%
Free cash flow from continuing operations	**685**	**1,174**	**71%**

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

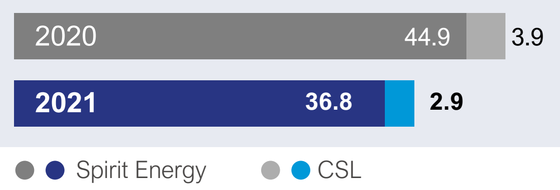
1. 2020 restated to reflect the new operating structure of the Group.

Upstream – Exploration & Production

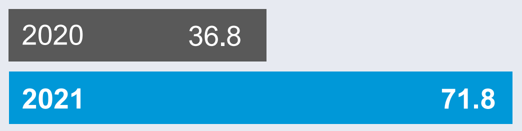
E&P

Year ended 31 December (£m)	2020[1]	**2021**	Δ
Gas and liquids realisations	1,297	1,737	34%
Adjusted operating profit	107	701	555%
Free cash flow[1]	170	786	362%

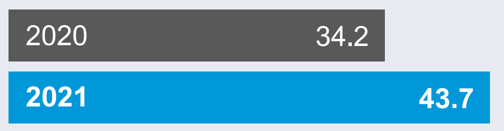
Upstream production
(mmboe)



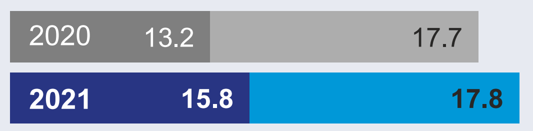
Achieved gas sales price
(p/therm)



Achieved liquids sales price
(£/boe)



Lifting & other cash production costs
(£/boe)



1. Segmental free cash flow, as per note 5(f) of the Preliminary Results announcement, excludes tax.
The above adjusted figures are before exceptional items and certain re-measurements.
A reconciliation of adjusted operating profit and free cash flow is provided in the Group Financial Review and other adjusted performance measures are explained on pages 84 to 87 in the Preliminary Results announcement.

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Spirit Energy – P&L and KPIs

KPIs	2020 vs 2021			2021		
	2020	2021	Δ	Retained	Disposed	Total
Production Gas (mmboe)	27.9	23.7	(4.2)	15.8	7.9	23.7
Production Oil (mmboe)	17.0	13.1	(3.9)	2.1	11.1	13.1
Achieved gas price (p/th)	35.4	70.3	34.9	53.8	100.7	70.3
Achieved liquids price (£/boe)	34.2	43.7	10.5	41.0	44.3	43.7
Gas and liquids realisations (£m)	1,194	1,603	409	595	1,008	1,603
L&OPC (£/boe)	13.2	15.8	2.6	20.2	11.7	15.8
DDA (£/boe)	11.3	12.2	0.9	12.6	11.8	12.2
Operating profit	**84**	**624**	**540**	**68**	**556**	**624**
Net operating profit after tax	**116**	**174**	**58**	**54**	**120**	**174**
NOPAT after minority interest	**91**	**104**	**13**	**29**	**75**	**104**

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Illustrative Spirit Energy disposal businesses cash flow phasing

Disposal cash flows £m	2021	2022	Total
Operating profit	647		647
Hedges	(91)	(106)	(197)
Add: non-cash costs	247		247
EBITDA	**803**	**(106)**	**697**
Cash tax	(53)	(298)	(351)
Capex	(202)		(202)
Other cash flows	23		23
Disposal proceeds	37	473	510
Free cash flow	**608**	**69**	**678**
Dividend to Spirit minority shareholders		(251)	(251)
Cash flow related to period from 01/01/21	**608**	**(182)**	**427**

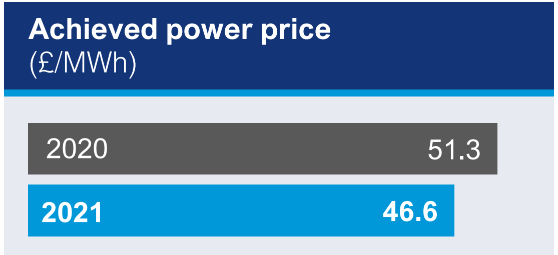
- Table illustrative of 1 January 2022 completion date
- Actual completion expected in Q2 2022
- Final disposal proceeds will be adjusted for cash flows generated in 2022
  - Neutral impact on FCF

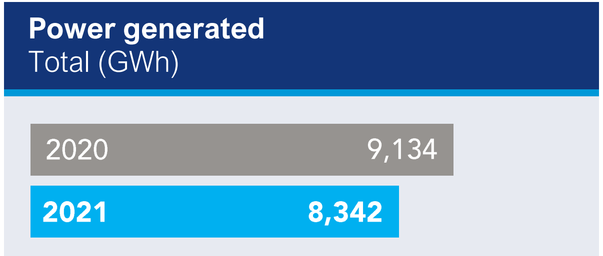
Disposal proceeds are subject to customary adjustments.
Table excludes contingent possible consideration, which based on 31 December 2021 commodity prices would total £47m.

Upstream – Nuclear

NUCLEAR

Year ended 31 December (£m)	2020	**2021**	Δ
Adjusted operating profit (£m)	(17)	(38)	124%
Nuclear power generated (GWh)	9,134	8,342	(9%)
Achieved power price (£/MWh)	51.3	46.6	(9%)

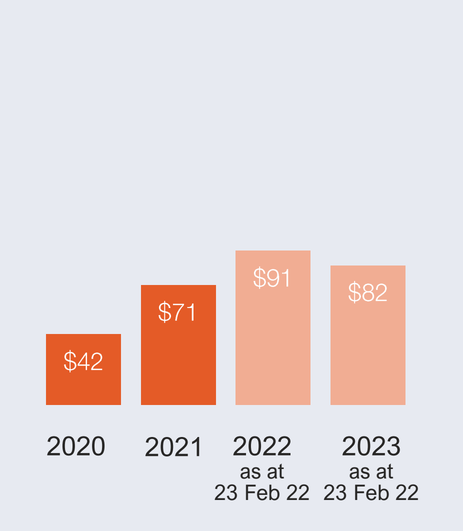




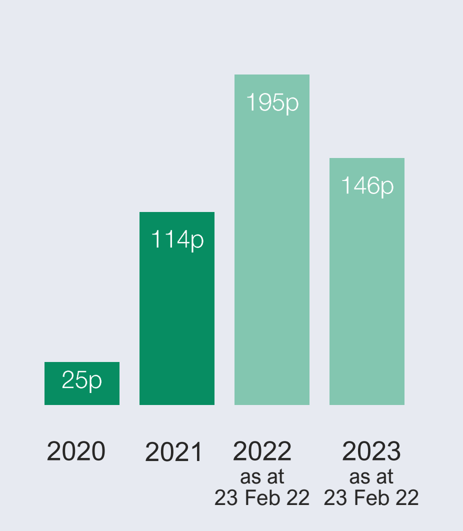
The above adjusted figures are before exceptional items and certain re-measurements. Adjusted operating profit includes share of joint ventures and associates after interest and taxation. A reconciliation of adjusted operating profit is provided in the Group Financial Review in the Preliminary Results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

Market commodity prices

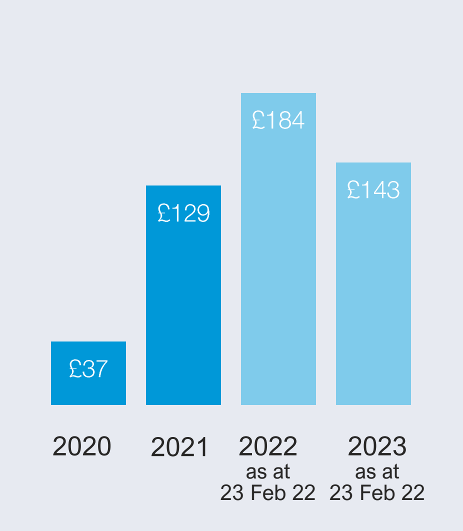
Average Brent oil prices ($/bbl)



Average UK NBP gas prices (p/th)

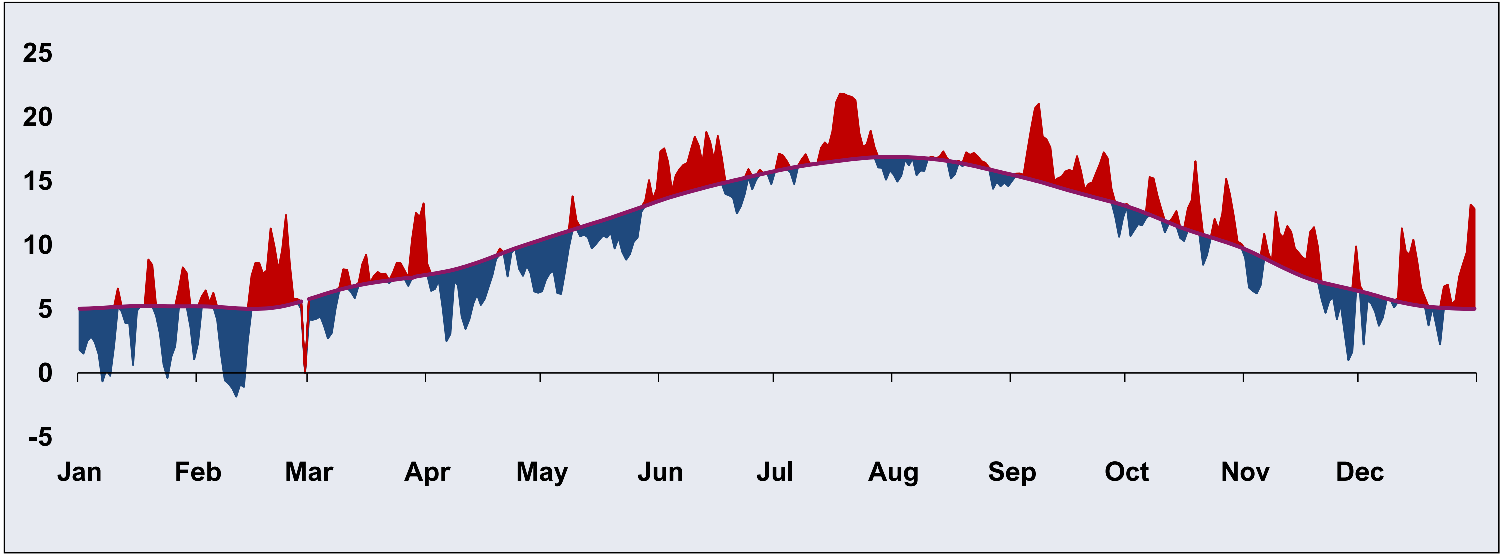


Average UK baseload power prices (£/MWh)



2020 and 2021 prices are month ahead outturn. 2022 prices are January and February month ahead outturn and forward prices on 23 February 2022 for the balance of year. 2023 prices are the average of forward prices.

UK weather chart vs seasonal norms



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 over 500 institutional investors with assets of US$96 trillion.
- Centrica is in the prestigious leadership category with an A- rating in the Climate Change Submission.
- This rating puts us in the top 5% of the over 13,000 companies (making up over 64% of global market cap) who disclosed under Climate in 2021.
  - Centrica is amongst the top 45 globally within our sector.

- The 'Taskforce on Climate-related Financial Disclosures' is an organisation with the goal of developing a set of 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 planning to publish a fully compliant disclosure in the 2022 Annual Report and Accounts.
- We are committed to progressively aligning with the recommendations and continuously improving our disclosure.