13 May 2019

Centrica plc ('the Company')

Full year guidance on operating cash flow and net debt maintained

Centrica's operational performance has been largely in line with the Company's expectations in the first four months of 2019. However, the trading environment has been challenging due to a specific set of external factors, with the expected negative impact from the UK default tariff cap (including the one-off £70m impact in the first quarter), warmer than normal weather and falling UK natural gas prices. We also experienced extensions to outages at the non-operated Dungeness B and Hunterston B nuclear power stations.

In response, Centrica continues to focus on those things it can control, including improving customer service and propositions, margin capture, driving cost programmes hard and maintaining financial discipline. In the year to date, the Company has made further good progress on cost efficiency delivery, continued to tightly control capital expenditure and completed the sale of the non-core Clockwork Home Services business in North America for $300m (£230m).

While a number of the factors leading to the challenging trading environment are temporary in nature, they will impact financial performance in the first half of 2019 and have also put some further pressure on the outlook for the full year. However, with cost efficiency delivery expected to accelerate in the second half of the year and a continued focus on capital discipline, Centrica is maintaining its full-year guidance on operating cash flow and net debt and continues to expect to achieve its 2019 Group targets of:

- Adjusted operating cash flow in the £1.8-£2.0bn range.
- In-year efficiency delivery of £250m.
- Like-for-like headcount reduction of 1,500-2,000.
- Group capital investment of around £1.0bn.
- £500m of non-core divestments.
- Net debt within the £3.0-£3.5bn range.

2019 financial performance remains subject to the usual variables of weather patterns, commodity prices and operational and commercial performance in the balance of the year.

Centrica is due to release its 2019 Interim Results on 30 July 2019. By this time, the Company will have additional clarity on the commodity price environment, UK energy supply market dynamics under the default tariff cap, the planned disposal of its interest in nuclear, the performance of the nuclear fleet and the outcome of its pensions triennial review. It will also have completed an assessment of future performance under a range of scenarios. Accordingly, alongside the Interim Results the Company will present a strategic update which will include reflections on the current business portfolio, updated future expectations for the customer-facing divisions and an update to the Group's financial framework.

Iain Conn, Centrica Group Chief Executive

"Although operational performance has been largely in line with our plans, external factors have presented challenges for Centrica during the first four months of 2019, in the form of the default tariff cap, warm weather, and falling gas prices. We have also experienced extensions to nuclear outages. However, we continue to focus on those things we can control and as a result we expect to achieve our 2019 cash flow and net debt targets, while we are making further progress on cost efficiency delivery and on demonstrating margin capture capability. We intend to provide a strategic update regarding our portfolio and prospects at the time of our Interim Results in July."

Operational performance update

- Improved net promoter scores in Centrica Consumer and Centrica Business.
- Total Centrica Consumer customer accounts down by 20,000 over the first four months of the year, with growth in North America, Ireland and Connected Home mostly offsetting a reduction of 234,000 customer accounts in UK Home energy supply. This includes the impact of a spike in customer churn in March and April following the announcement of a significant increase in the level of the default tariff cap. However, the number of customer accounts exposed to the new UK default tariff cap remained broadly flat over the period.
- Relative to a strong first quarter of 2018, North America Business wholesale gas optimisation performance negatively impacted by warm weather in the first quarter. Power net margin delivered or under contract for 2019 higher than at the same point last year.
- Distributed Energy & Power committed forward order book up 58% over the past 12 months. Gross revenue for the first four months of the year up 54%.
- Connected Home gross revenue up 70% for the four months to the end of April compared to the same period in 2018.
- E&P production from Spirit Energy and Rough slightly ahead of expectations in the first four months of the year. Drilling commenced on the Hurricane Energy-operated Warwick Deep well, the first in the three-well programme in the Greater Warwick Area.
- Annualised efficiencies of £58m delivered to the end of April. On track to deliver £250m of efficiencies in 2019 with benefits expected to be weighted towards the second half of the year.

Enquiries

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Centrica plc is listed on the London Stock Exchange (CNA)
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Registered in England & Wales number: 3033654
Legal Entity Identifier number: E26EDV109X6EEPBKVH76
ISIN number: GB00B033F229