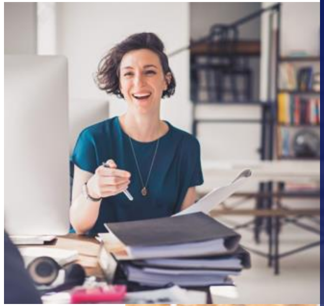
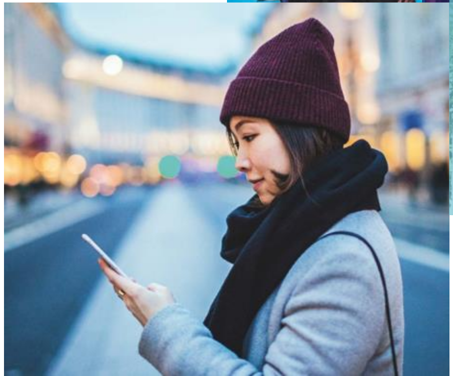
Centrica plc
Interim Results and Strategic Update

for the period ended 30 June 2019

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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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Iain Conn

Group Chief Executive

Summary

Performance	• Exceptionally challenging H1 circumstances but momentum into H2 and 2020 • Consumer account growth in H1. Expect to meet 2019 Group targets
Strategy	• Completing the shift towards the customer, exiting E&P and Nuclear • Energy Services and Solutions Company, focused on distinctive strengths • Centrica well positioned for the transition to a lower carbon future
Dividend and balance sheet	• Regrettably dividend rebased to 5.0 pence per share. Scrip alternative cancelled - Changed circumstances, specifically the UK price cap and additional pension deficit contributions - Requirement for strong investment grade ratings - Restructuring charges as company repositioned post divestments

What to expect

- Focus on distinctive strengths in Energy Services and Solutions:
  - Energy supply and its optimisation
  - Services and solutions centred around energy
- Growing importance of Home Energy Management and Electric Vehicle Integration – exclusive Ford deal announced today
- Repositioning of UK Home, Connected Home and North America Business
- Efficiencies over 2019-22 increased to £1bn with accelerated delivery unlocked through refocused portfolio
- Target is most competitive provider, enabling stabilisation of customer numbers and margin growth
- Future dividend policy from rebased level will be progressive over time and linked to cash flow growth, with targeted earnings cover of 1.5-2.0. Scrip alternative will be cancelled
- Post 2020 organic sources and uses of cash expected to be balanced with rebased dividend, with E&P and Nuclear divestment proceeds reinvested to fund restructuring and reduce net debt
- Beyond period of material restructuring in 2020-2021, expect growth in net cash flow

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Exceptionally challenging H1 2019

- H1 2019 heavily impacted by a number of external environment and regulatory issues:
    - UK energy default tariff cap including Q1 one-off impact
    - Very low UK natural gas prices
    - Nuclear inspection outages at Hunterston B and Dungeness B
    - Very warm weather in UK and North America
- Weak adjusted earnings:
    - Adjusted operating profit of £399m, down 49%
    - Adjusted basic EPS of 2.4p, down 63%
- Cash flow relatively robust:
    - EBITDA of £1,075m, down 19%
    - Adjusted operating cash flow of £744m, down 32%
- Consumer account growth in H1
- Continue to expect to meet full year cash flow and net debt targets

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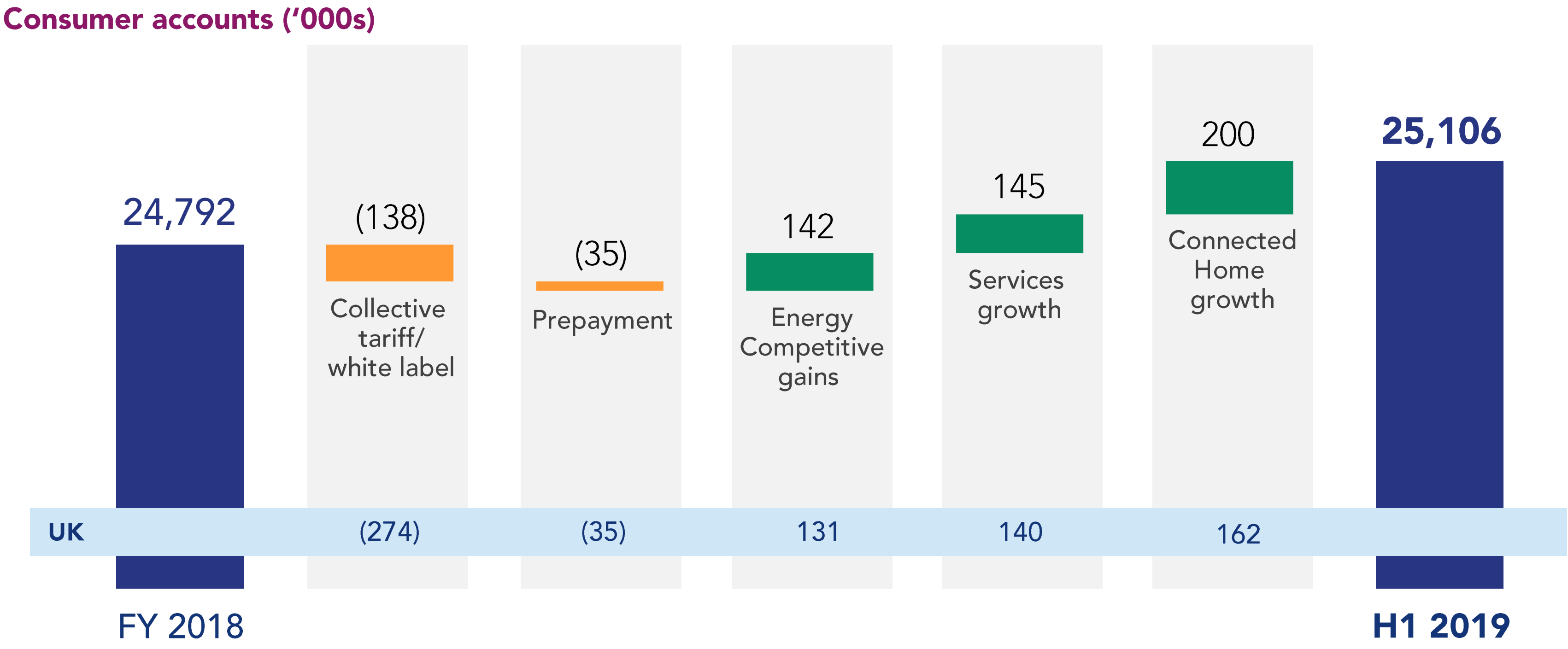
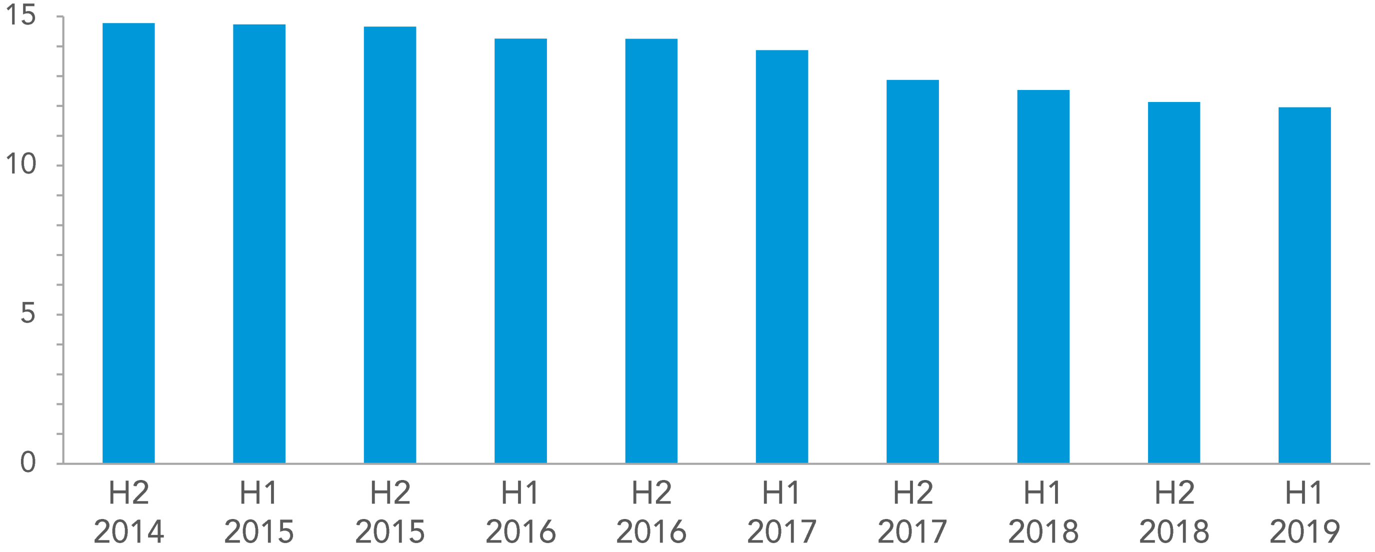
Growth in consumer accounts in H1 2019



FY 2018 is presented on a like-for-like basis excluding customer accounts relating to the Clockwork US home services business which was disposed of in April 2019 and minor contract add-ons on US home warranty contracts which are no longer considered standalone accounts.

UK Home energy customer accounts

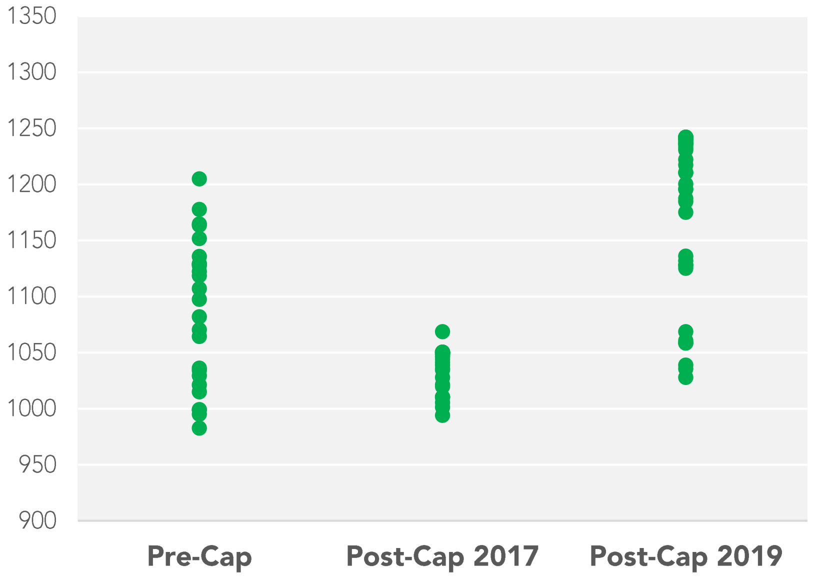
UK energy customer accounts (m, period end)



14.8	14.7	14.7	14.3	14.3	13.9	12.9	12.5	12.1	12.0

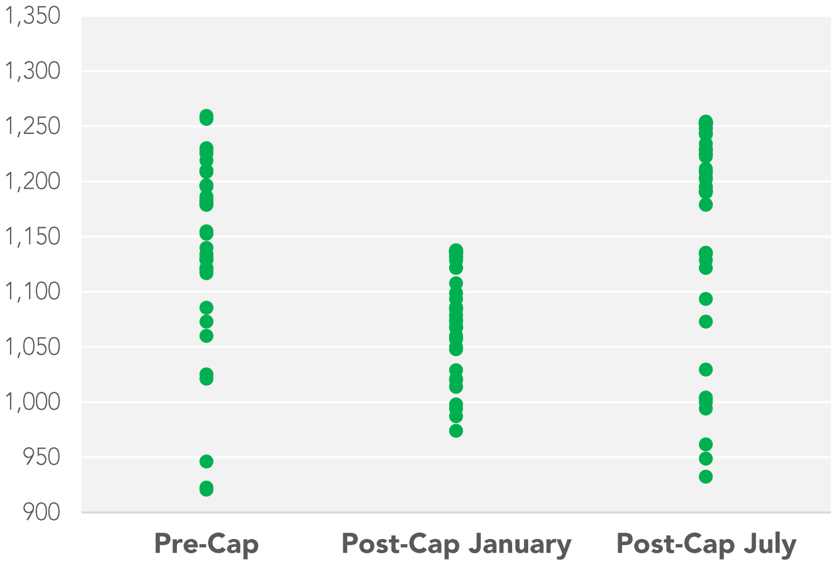
UK energy market under price caps

Average market dual fuel prepayment price (£)



Pre-cap date used is 1 December 2016. Post-cap dates used are 15 April 2017 and 9 July 2019.
Data shows prepayment tariffs under cap.

Average market dual fuel SVT price (£)



Pre-cap date used is 1 November 2018. Post-cap dates used are 20 January 2019 and 7 July 2019.

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Earnings momentum in H2 2019 and into 2020

- FY 2019 earnings expected to be weighted towards H2 due to a number of factors:
  - Absence of Q1 one-off price cap impact
  - Hunterston B and Dungeness B expected to come back on line
  - North America Business margin under contract is H2 weighted
  - Cost efficiency delivery accelerates in H2, including structural changes to cost of goods
- 2020 expected to benefit from H2 2019 momentum:
  - Absence of one-off price cap impact
  - Higher expected Nuclear availability
  - Cost efficiency momentum
  - Reduced cost of goods in UK Home Services
  - Reduced capacity charges in North America Business
  - Reduced losses in Connected Home and DE&P

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Portfolio update

- Will exit hydrocarbon production, creating a leading international Energy Services and Solutions provider
- Will continue to serve Consumers and Business Customers, with a geographic focus on the UK, Ireland, North America and Continental Europe
- Centrica Consumer will focus on three strategic pillars: Energy Supply, In-Home Servicing and Home Solutions
- Centrica Business will focus on three strategic pillars: Energy Supply, Energy Optimisation and Business Services & Solutions
- Will exit interests in Spirit Energy and Nuclear by end 2020. Expect to exit Spirit Energy via a trade sale

Business unit decisions

- UK Home to be fundamentally repositioned, driving structural changes in customer journeys, internal processes and the cost base
- Connected Home will be refocused on the UK and Ireland and around Home Energy Management, will be renamed Centrica Home Solutions
- North America Business structural interventions made to improve through-cycle returns and reduce returns volatility
- Distributed Energy & Power will continue to invest for growth in Europe and North America, will be renamed Centrica Business Solutions

Improving competitiveness

- Wholly customer-facing company will enable material simplification and greater focus, unlocking and accelerating significant further efficiency potential
- Having reached competitive cost levels on average, Centrica will target becoming the lowest cost provider in all its markets, consistent with chosen brand positioning and propositions
- Will deliver £1bn of annualised efficiencies over the period 2019-2022, in addition to the annualised savings of £1bn delivered to end 2018. Increase of £250m compared to previous target
- Delivering this level of competitiveness and cost base requires material restructuring charges over 2019-2021

Dividend and capital structure

- Pressure on dividends in the near term:
  - Changed context including impact of UK price cap on operating cash flow
  - Higher pension cash requirements following triennial valuation
  - Restructuring costs to achieve targeted cost competitiveness
  - Lower net debt capacity to meet expected higher credit thresholds for a wholly customer-facing company
- Regrettably Centrica will therefore rebase the expected dividend to 5.0p for 2019
- A progressive dividend from the rebased level, linked to growth in earnings and cash flow
- Targeting dividend cover from earnings of 1.5-2.0
- Scrip alternative cancelled
- Continue to target strong investment grade credit ratings
- Annual capital investment expected to be around £500m post-divestment of interests in Spirit Energy and Nuclear

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Chris O'Shea
Group Chief Financial Officer

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First half financial result

Period ended 30 June	2018	**2019**	Δ
Adjusted revenue (£m)	14,020[1]	**13,808**	(2%)
Adjusted gross margin (£m)	2,256	**1,927**	(15%)
Adjusted operating profit (£m)	782	**399**	(49%)
Adjusted effective tax rate	39%	**47%**	8ppt
Adjusted earnings (£m)	358	**134**	(63%)
Adjusted basic earnings per share (p)	6.4	**2.4**	(63%)
Statutory basic earnings per share (p)	4.3	**(9.6)**	nm
Interim dividend per share (p)	3.6	**1.5**	(58%)
EBITDA (£m)	1,324	**1,075**	(19%)
Adjusted operating cash flow (£m)	1,101	**744**	(32%)
Group net investment (£m)	463	**139**	(70%)
Net debt (£m)	3,280[2]	**3,376**	3%
Net debt as reported (£m)	*2,886*	***3,376***	*17%*

The Group has amended the presentation of energy derivative contracts following an IFRIC agenda decision in March 2019 and re-presented prior period results accordingly.

2. 2018 Net Debt presented on like-for-like basis with 2019, includes an IFRS16 overlay of £394m.

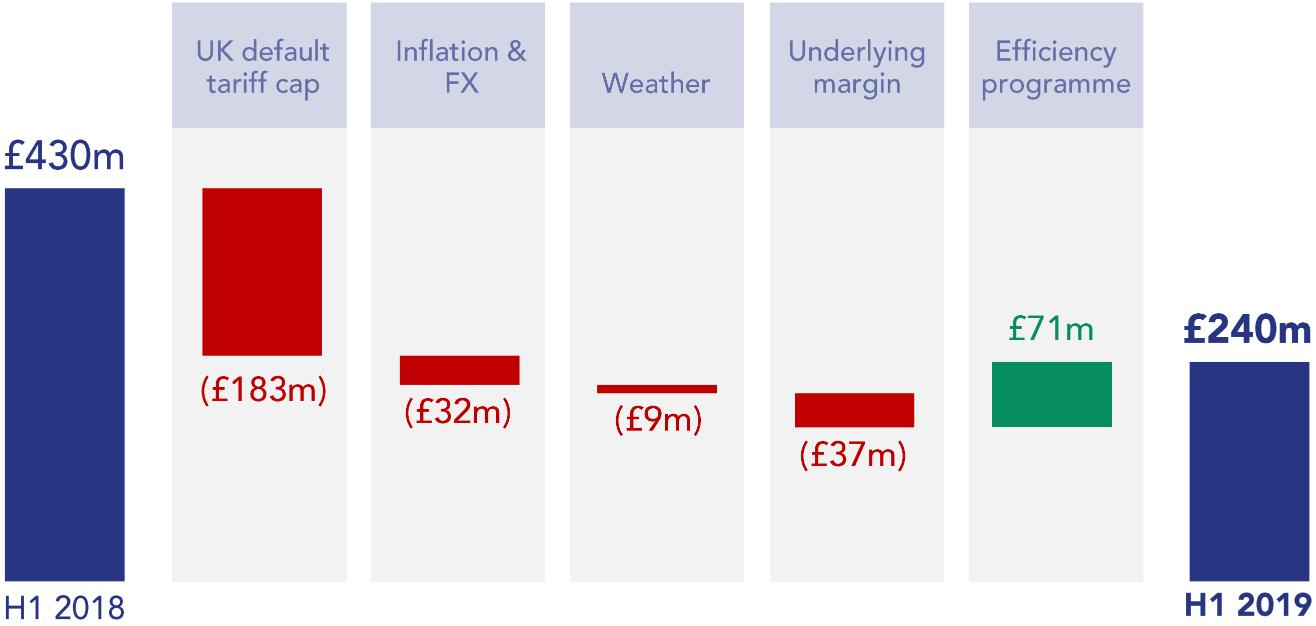
The above adjusted figures are before exceptional items and certain re-measurements. Adjusted operating profit includes share of joint ventures and associates before interest and taxation. Reconciliations of adjusted operating profit, adjusted earnings and adjusted operating cash flow are provided in the Group Financial Review and other adjusted performance measures are explained on pages 58 to 61 of the Interim Results announcement.

Post-tax exceptional items and certain re-measurements

Period ended 30 June 2019	£m	p/share
Adjusted earnings attributable to shareholders	134	2.4
Restructuring costs	*(205)*	
Pension change costs	*(52)*	
Impairment of Exploration & Production assets	*(29)*	
Impairment of Connected Home	*(30)*	
Gain on disposal of Clockwork	*56*	
Post-tax exceptional items	(260)	(4.6)
Net re-measurements[1]	(424)	(7.4)
Statutory earnings / (loss)	(550)	(9.6)

1. Net remeasurements removes £20m relating to the share of net remeasurements attributed to non-controlling interests.

Consumer: adjusted operating profit drivers



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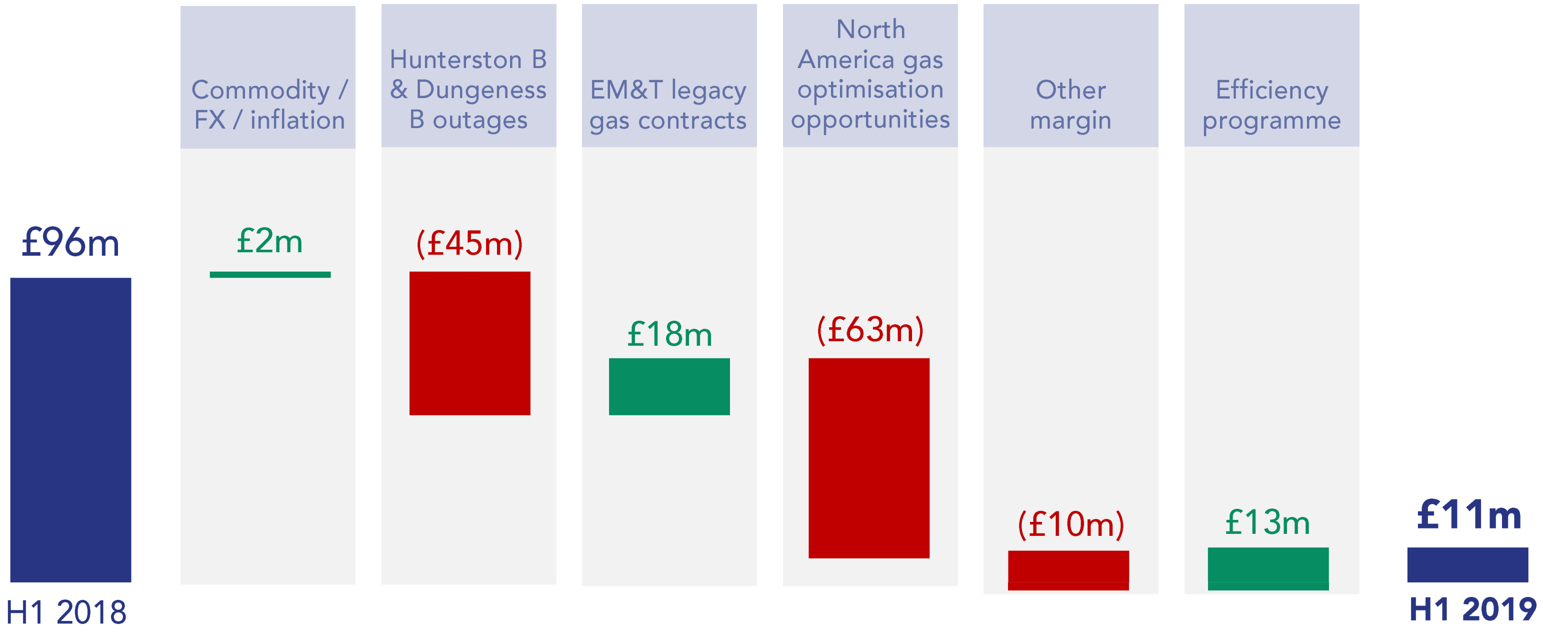
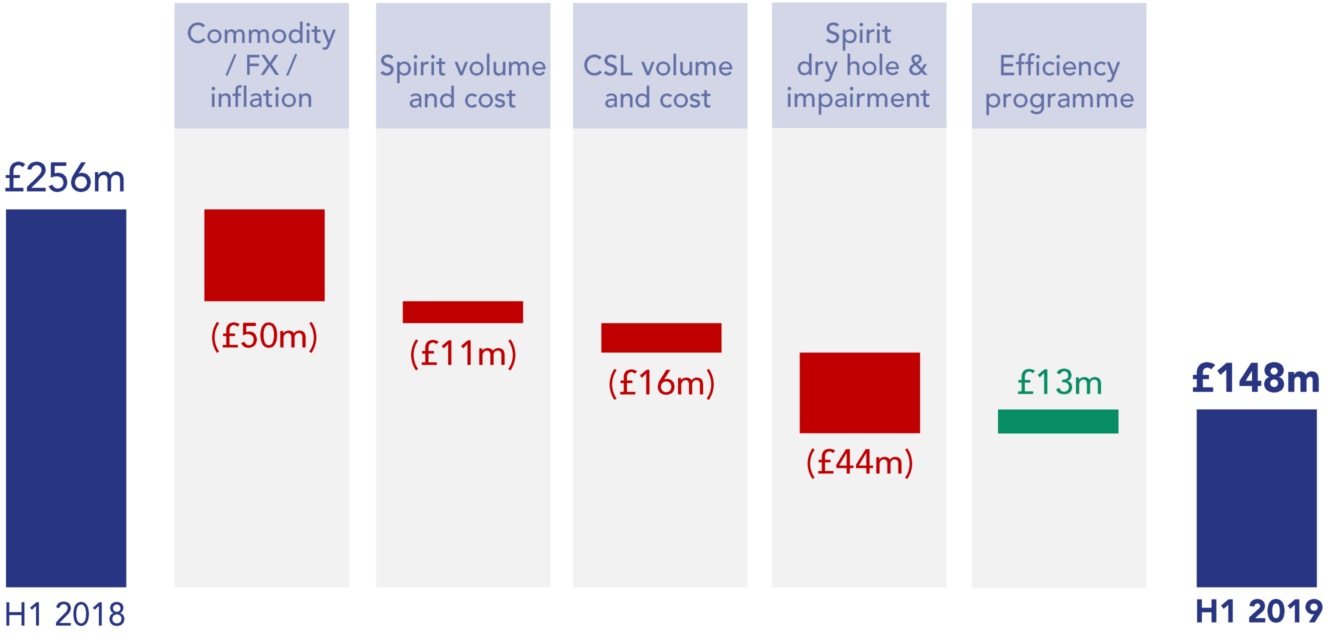
Business: adjusted operating profit drivers



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

E&P: 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 before 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.

First half adjusted operating cash flow

Period ended 30 June (£m)	2018	2019
EBITDA	1,324	**1,075**
Tax	6	(79)
Dividends received	22	-
Working capital / other	(251)	(252)
Adjusted operating cash flow	1,101	**744**

A reconciliation of adjusted operating cash flow is provided in the Group Financial Review in the Interim Results announcement. See pages 58 to 61 in the Interim Results announcement for an explanation of the use of adjusted performance measures.

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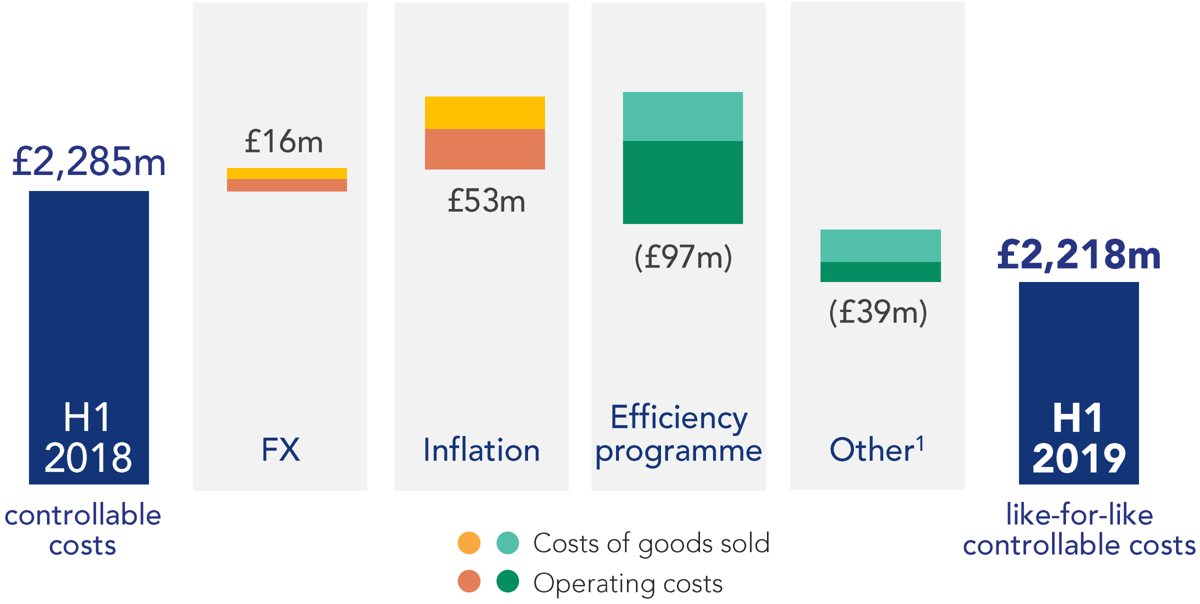
First half net cash flow

Period ended 30 June (£m)	2018	2019	Δ
Adjusted operating cash flow	1,101	**744**	(357)
Net investment	(463)	(139)	324
Organic investment	*(435)*	*(352)*	*83*
Acquisitions	*(58)*	*(3)*	*55*
Divestments	*30*	*216*	*186*
Restructuring costs	(117)	(175)	(58)
Other[1]	(11)	2	13
Free cash flow	510	**432**	(78)
Debt repurchase costs	(139)	-	139
Interest	(153)	(79)	74
Dividends – Centrica shareholders	(427)	(383)	44
Dividends – Spirit minority shareholders	-	(124)	(124)
Pension deficit payment	(76)	(151)	(75)
Adjusted net cash inflow / (outflow)	(285)	**(305)**	(20)

A reconciliation of adjusted operating cash flow is provided in the Group Financial Review in the Interim Results announcement. See pages 58 to 61 in the Interim Results announcement for an explanation of the use of adjusted performance measures.

1. Other includes transactions of own and treasury shares.

£97m of efficiencies delivered in H1 2019

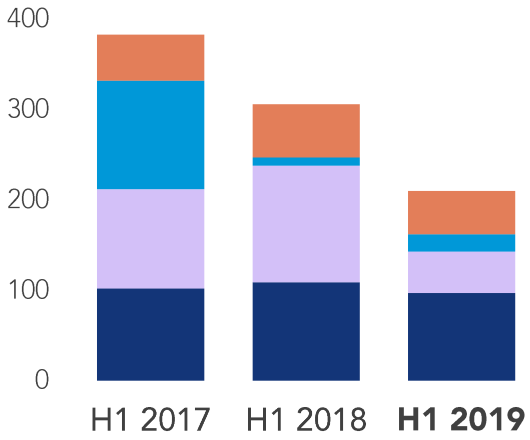


1. Other includes revenue investment and other recurring and non-recurring adjustments.

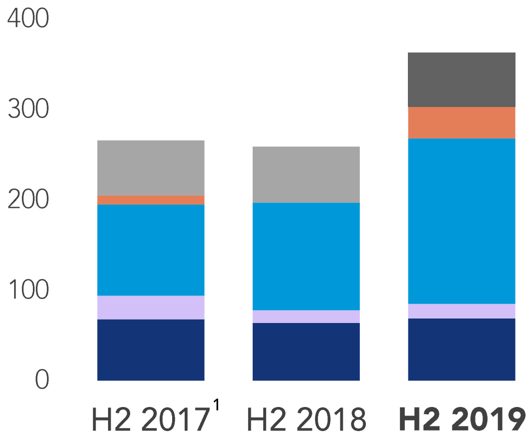
The above figures are stated before exceptional items and certain re-measurements. Total like-for-like controllable costs is controllable operating costs, excluding growth investment in Connected Home and Distributed Energy & Power, and controllable cost of sales, excluding the impact of portfolio changes, foreign exchange movements and growth investments in Connected Home and Distributed Energy & Power. Other adjusted performance measures are explained on pages 58 to 61 of the Interim Results announcement.

North America Business improved outlook for H2

H1 gross margin ($m)



H2 gross margin under contract at end of H1 ($m)



	Gas	Power
Optimisation	●	●
Supply	●	●

- Gross margin added during period
- Average gross margin added in H2 across 2015-2018

1. Excludes impact of 2017 one-off accounting adjustment relating to prior periods.

Expect to meet 2019 Group targets

- AOCF in bottom half of the £1.8bn-£2.0bn targeted range
  - £0.2bn of structural reduction in working capital
- £250m of efficiency savings
- Employee reduction of 1,500-2,000
- Capital reinvestment limited to £0.9bn compared to ~£1.0bn target
- £0.5bn of non-core asset divestments
- 2019 net debt expected to be in range £3.0bn-£3.5bn, including £0.4bn impact of adopting IFRS 16

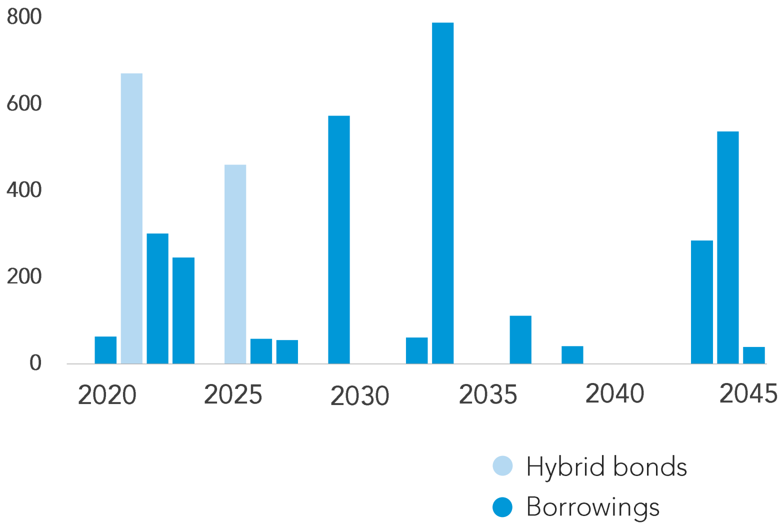
Strong balance sheet to support risk management

- Strong investment grade credit ratings targeted to support commodity hedging risk management
- Significant forward commodity commitments
- Exit from E&P and Nuclear likely to result in lower debt capacity and higher credit thresholds
    - Lower asset intensity as a wholly customer-facing company
    - Proceeds from Spirit Energy and Nuclear divestments expected to be retained
- Continued focus on capital discipline and structural working capital reductions

Long dated debt maturity profile

- Long dated debt profile out to 2045
  - Average debt maturity of 11.4 years
  - Average interest rate of 4.9%
- Committed Revolving Credit Facilities with 21 banks renewed in February 2019
  - Initial maturity date of 2024
  - Aggregate amount of £4.2bn

Debt maturity profile



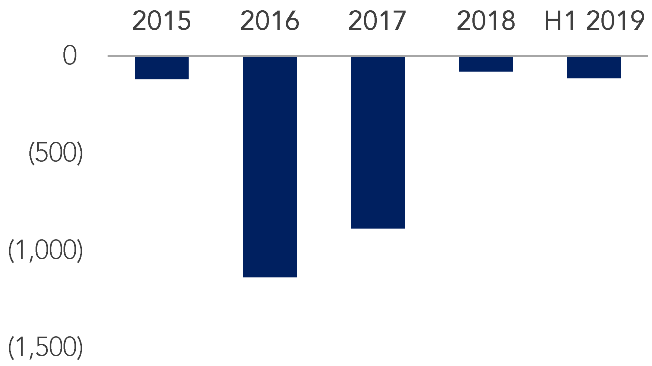
Opportunity to reduce structural working capital

- Trade working capital historically between 4 and 4.5% of sales
  - Identified opportunities to reduce to ~3%
- Would result in sustainable ~£400m release in working capital
  - Reduced net debt
  - Increased return on capital
- Expect ~£200m to be delivered in 2019
  - ~£100m already delivered in H1 2019
- Remaining ~£200m expected to be delivered in 2020

Pension deficits agreed and scheme de-risking commenced

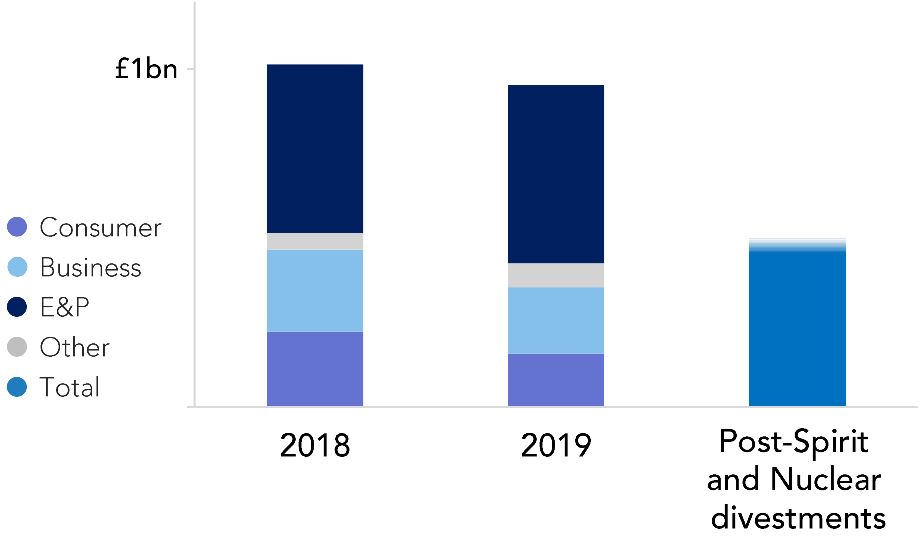
- Triennial review completed
  - £1.4bn funding deficit as at 31 March 2018
  - £223m total cash contribution in 2019
  - Total contributions of £175m p.a. 2020-25
  - Recovery period of <8 years
- Defined benefit scheme changes agreed with employees
  - Company contributions reduced
- Pension asset de-risking commenced to increase inflation and interest rate hedge from one-third to two-thirds of asset portfolio
- IAS 19 net pension deficit increased by £35m to £114m reflecting lower real interest rates

IAS 19 pension deficit
(£m)



Annual capex of around £500m post Spirit divestment

Centrica capital expenditure



- Continued capital discipline and lower capital intensity
- Small scale, short lead time capex giving greater ability to adapt quickly to changing market conditions
- All capital investment to deliver an IRR of >10%

Divestments

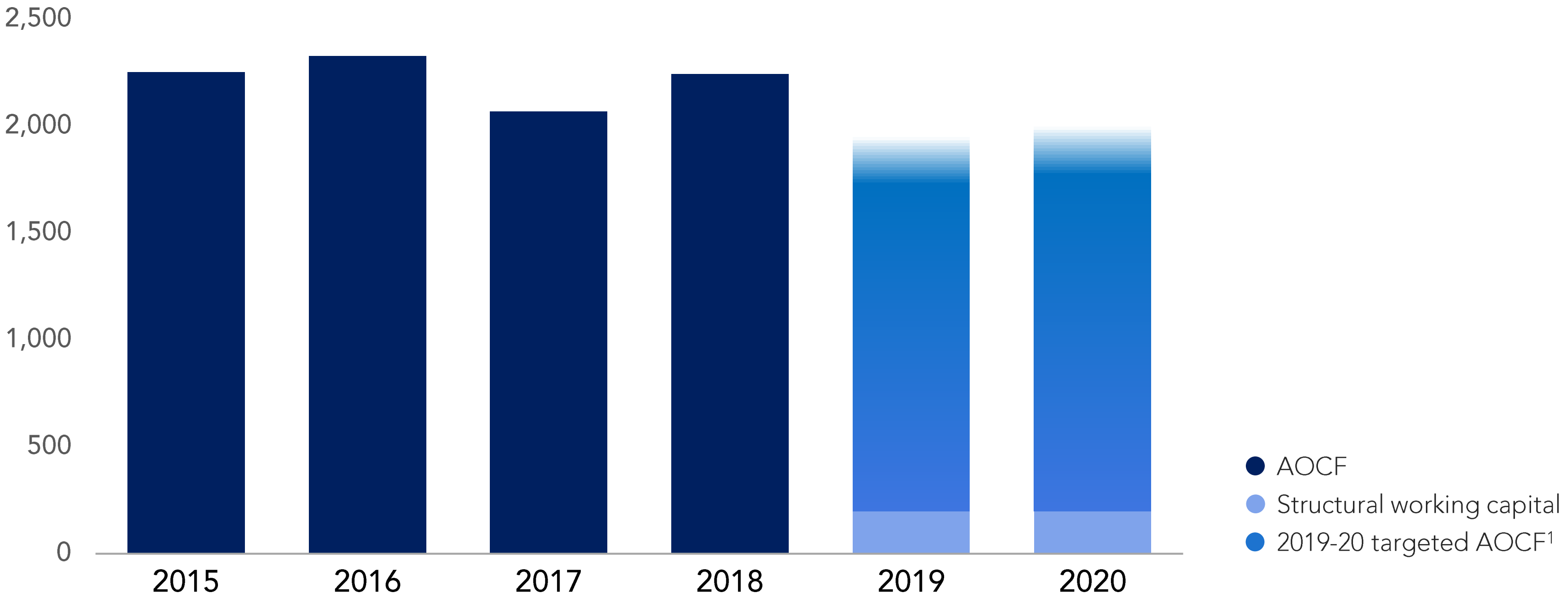
- Targeting £500m of non-core asset divestments in 2019
  - $300m Clockwork disposal completed
  - Processes ongoing to deliver remainder
- Nuclear disposal process progressing
- Targeting exit from Spirit Energy by end 2020 via trade sale
  - A robust self financing entity
  - Engaged Stadtwerke München on process
- CSL focus on value maximisation at Rough and Easington

Sources and uses of cash flow

- Group expected to generate positive free cash flow over 2019-21 restructuring period
- Adjusted operating cash flows expected to more than cover rebased dividend, capex, interest and pension deficit payments
- Adjusted operating cash flows also expected to partially fund restructuring costs
  - Average restructuring cash spend of £300-£400m p.a. 2019-2021
  - Restructuring spend expected to reduce to £100-£200m in 2022 at the back end of programme
- Spirit Energy and Nuclear disposal proceeds used to fund remaining restructuring costs and to reduce net debt

Stable and material adjusted operating cash flow

Adjusted operating cash flow (AOCF) (£m)



1. For the purposes of this slide, it is assumed that Sprit Energy and Nuclear are held to the end of 2020.

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Group financial framework to 2022

Targets	Metrics
Adjusted operating cash flow	• Growth over the medium term
Dividend	• Progressive dividend from 2019 rebased level linked to growth in earnings and operating cash flow • Dividend cover from earnings of 1.5-2.0
Controllable costs	• £1bn of cost efficiency delivery over 2019-22
Capital discipline	• Annual capital expenditure of around £500m post Spirit Energy and Nuclear disposals
Credit rating	• Strong investment grade ratings
ROACE	• At least 10-12%

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Iain Conn

Group Chief Executive

Agenda

- Group purpose and strategy
- Performance agenda
- Cost efficiency and transformation
- Rebasing UK Home
- Centrica Home Solutions – refocusing Connected Home
- Improving returns in North America Business
- Growing Centrica Business Solutions
- Securing the capabilities for 2020 and beyond
- Summary and future expectations

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Centrica's purpose and strategy

- **Satisfying the changing needs of our customers, enabling the transition to a lower carbon future**
  - "Helping you run your world in ever more sustainable ways"
- A "21st Century Energy Services and Solutions company"
- Delivering long-term shareholder value through returns and cash flow growth
- Trusted corporate citizen
- Employer of choice

The changing energy landscape and Centrica's role

- The trends we identified in 2015 continue to play out
  - Decentralisation of the energy system as distributed technology supports decarbonisation
  - Choice, power and influence moving to the customer
  - Digitalisation accelerating proposition development, enabling choice and driving efficiency
- Centrica is now equipped and committed to help our customers transition to a lower-carbon future
  - Exiting hydrocarbon production and emphasising emissions reduction
  - Support the near-term role of natural gas and also the ultimate need to decarbonise heating
  - Targets to reduce customer emissions, decarbonise the system and reduce our own emissions
  - Commitment by 2030 to have a plan to be net-zero by 2050
- Centrica has built specific major technology capabilities to offer our customers
  - Business Solutions - CHP, solar, fuel cells, batteries, EV integration and mobility solutions
  - Business Insight and Optimisation - distributed sensing, demand response, route-to-market services
  - Home Energy Management - energy control & optimisation, EV charging, mobility solutions
  - Platform investments - Integrated Solutions Platform, Honeycomb, Greencom networks, Driivz

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Enabling the energy transition to a low carbon future

'Enabling all our customers to use energy more sustainably'

Help our customers reduce emissions in line with Paris goals	Enable a decarbonised energy system	Reduce our own emissions in line with Paris
2022 Help our customers reduce their emissions by 15%, by direct (target 2%) and in-direct action	**2022** Deliver 4GW of flexible, distributed and low-carbon technologies as well as provide system access and optimisation services	**2025** Reduce our 'internal carbon footprint' by 35% (from 2015)
2030 Help our customers reduce their emissions by 25%, by direct (target 3%) and in-direct action	**2030** Deliver 7GW of flexible, distributed and low-carbon technologies as well as provide system access and optimisation services	**2030** Demonstrate we are on track with Paris and develop a path to net zero by 2050

What we will focus on for our customers

- Satisfying their changing needs, including the transition to a lower carbon future
- Provide them more than just energy supply - it is one of the services we provide
- Provide services and solutions which customers value and are willing to pay for, separately or as part of bundled propositions
- Focus on our distinctive strengths
  - Energy supply and its optimisation
  - Services and solutions centred around energy
  - Field force and in-home fulfilment
  - New energy technology integration (e.g. Home Energy Management and Electric Vehicles)
  - Customer platforms and data
- Be the lowest cost provider consistent with our brand-positioning and propositions

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Centrica team priorities

- Customer obsession
- Operational excellence
- Cash flow growth
- Most competitive provider
- Empowered colleagues

Centrica Consumer strategic pillars and capabilities

Energy Supply

- Largest energy supplier in the UK, top 3 positions in Ireland and North America
- Improved customer service
- Enhanced digital and segmentation capabilities
- Competitive cost base with significant further potential
- Bundling energy with services and solutions

In-Home Servicing

- Largest UK provider of contract cover and boiler installations; >9,000 service engineers
- Top 10 and growing position in US protection plans
- World class customer service – UK engineer NPS of +65
- New skills development in smart metering, electric vehicles and home energy management

Home Solutions

- Leading UK smart thermostat provider with 65% of total sales
- Scalable, reliable technology platforms
- Combining technology with in-home fulfilment capabilities
- Focused on energy management and remote diagnostics
- Additional growth potential from EV propositions

Centrica Business strategic pillars and capabilities

Energy Supply

- Largest energy supplier to SME customers in the UK, second largest competitive retailer in North America
- Customer service improved to leading levels
- Competitive cost base with significant further potential

Energy Optimisation

- 24GW of route-to-market capacity and 2.5GW of demand response capacity under management
- Leading software capabilities
- Access to gas pipeline and storage capacity provided by retail activity in North America
- Strong trading capabilities and global LNG positions

Business Services and Solutions

- Over 5,500 sites and over 600MW of solutions capacity under management
- End-to-end design, install, maintain and service capabilities for a wide range of technologies including CHP, battery and solar
- Further growth potential from energy management and electric vehicle propositions

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2018-20 performance agenda

- Demonstrating customer-led gross margin growth
- Driving cost efficiency towards being ‘most efficient price-setter’
- Improving organisational effectiveness
- Securing the capabilities we need for 2020 and beyond
- Maintaining capital discipline and balance sheet strength

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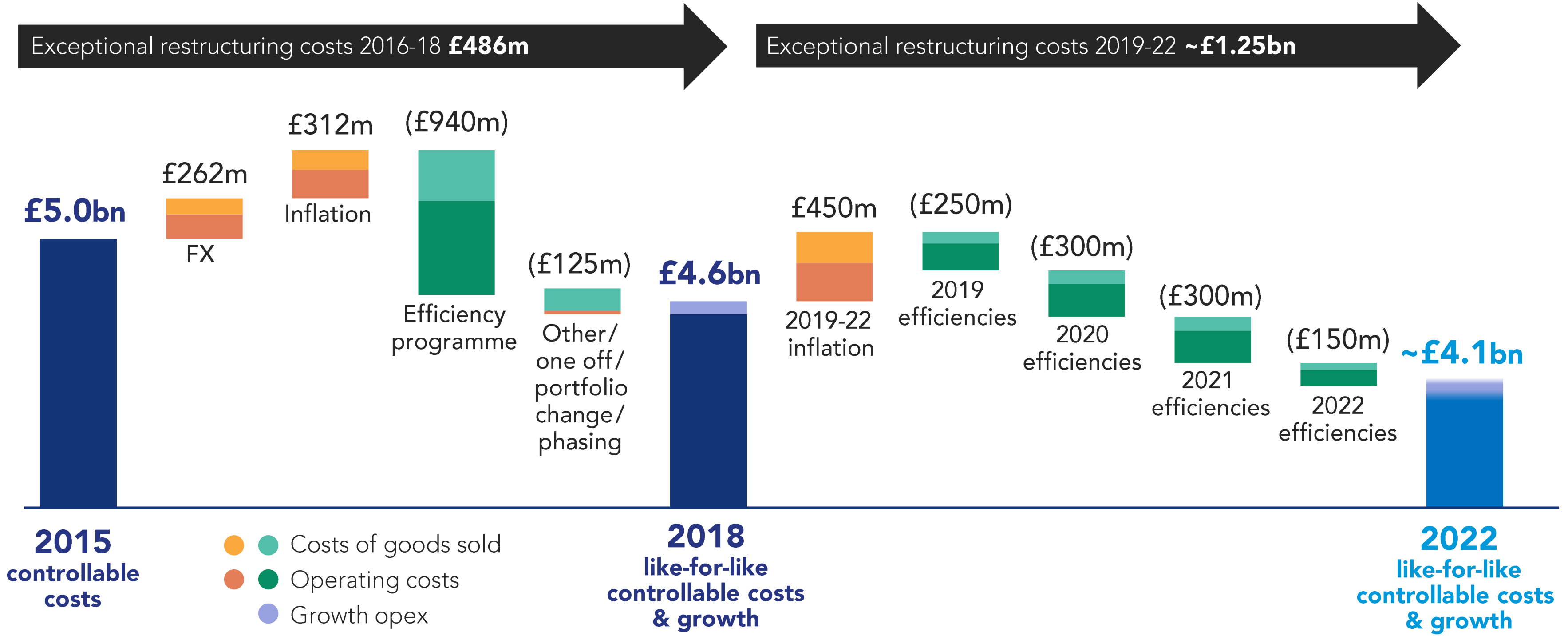
A further £1bn of cost efficiencies by 2022



Major projects to deliver cost efficiency programme

Projects started in 2018

- UK Home – Customer Operations transformation
- UK Home – Field Operations transformation
- UK Business transformation

~£450m of annualised savings

Projects activated in H1 2019

- Group Functions activity and third party spend review
- Efficiency and effectiveness of change delivery
- North America Home transformation
- UK Home overhead review

~£300m of annualised savings

Projects post-Strategic Update

- Fundamental rebasing of UK Home
- Rightsizing management structures
- Business Unit overheads review
- Property review and consolidation

~£250m of annualised savings

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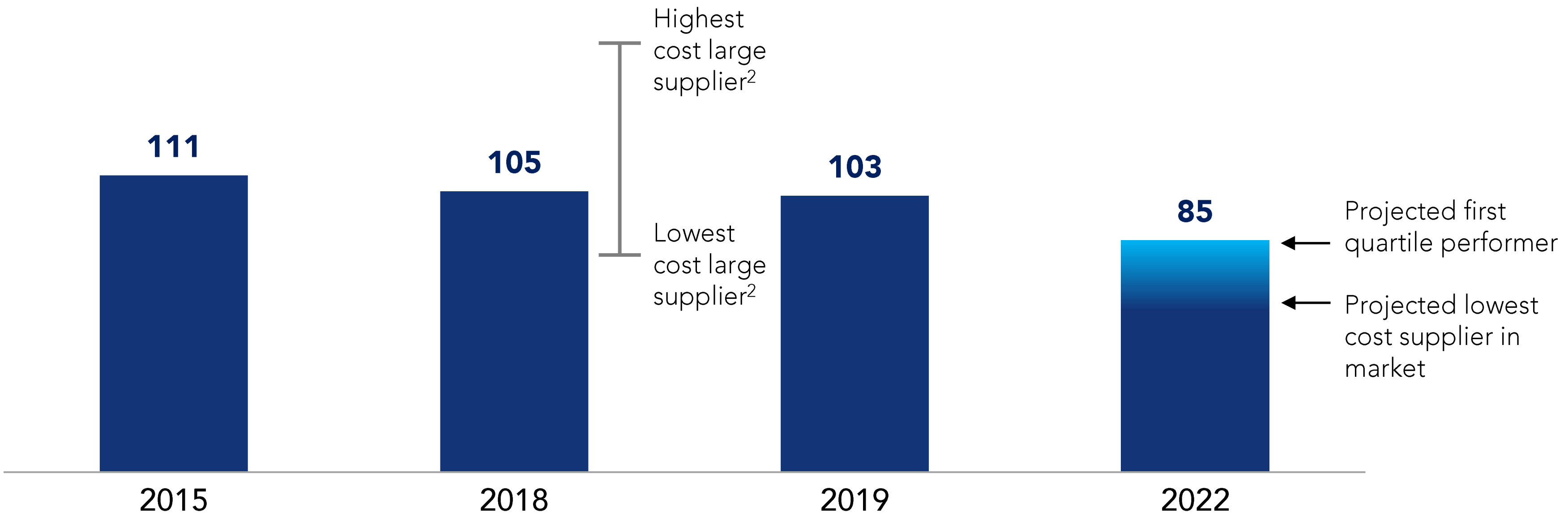
From competitive to the lowest cost UK energy supplier

UK Home energy cost per dual fuel account[1] (£)



1. Includes cost to acquire, cost to serve, overheads and bad debt, but excludes smart & metering costs. All figures adjusted for inflation.
2. Range of highest to lowest cost is for the six largest suppliers and two medium sized suppliers where data is available .

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Fundamentally rebasing UK Home energy supply

2015 to today improved competitiveness

- Removed management and process duplication
- Increased self-serve (50% of transactions now digital)
- Reduced calls by 22% since 2016, enabling reduction in the number of contact centres
- Retention benefits from launch of rewards programme and bundling of propositions

Current plans will achieve first quartile costs, enabling customer stabilisation

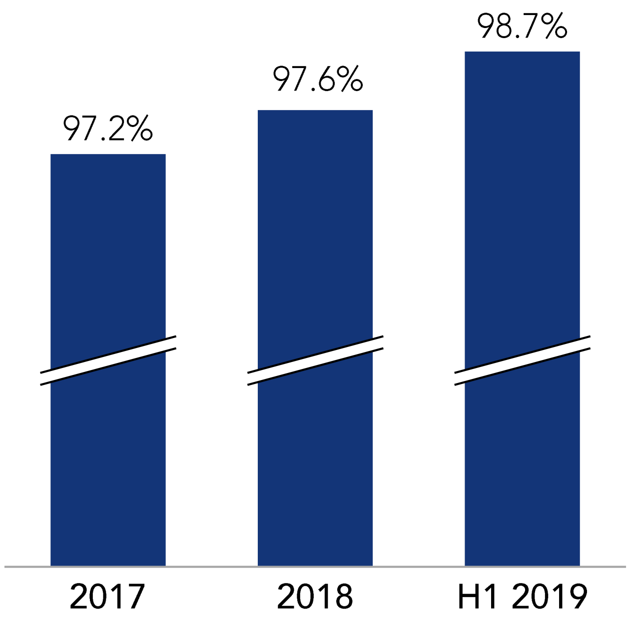
- Further expanding coverage of digital journeys, driving digital transactions to 70%
- Multi-skilled contact centre teams, eliminating call transfers
- Reduce back office costs by ~20% through automation and consolidation
- Further organisational simplification, reducing non-customer facing roles

Future plans will deliver cost leadership and enable customer and margin growth

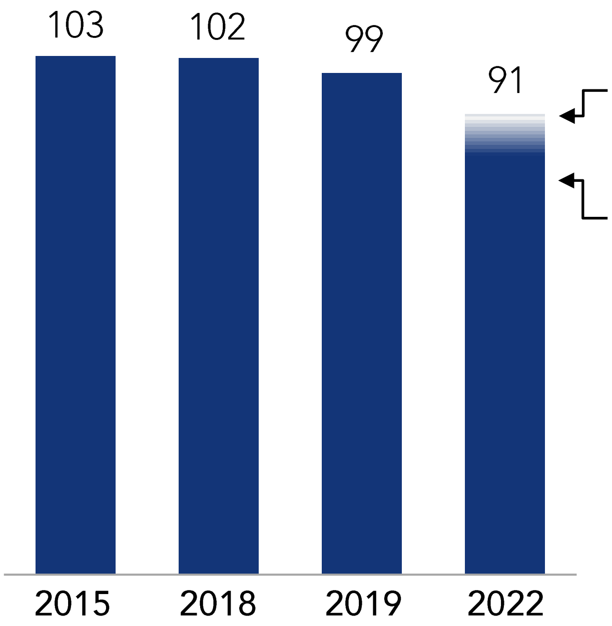
- Organise around customer end-to-end journeys and not industry processes
- Transform IT stack to be more flexible with lower costs
- Embed machine learning into core operations

Improving in-home servicing competitiveness and service

‘On-time’ for the customer[1] (%)



Cost per customer visit[2] (£)



Target
- retaining premium customer value proposition

Projected lowest cost peer[3]
- non-premium
- high mix of un-branded contractors
- no focus on in-home cross-sell

1. The percentage of times we fulfil an appointment on the day it was scheduled.
2. Includes Field Operations cost of sales for Service and Repair and Central Heating Installations. All figures adjusted for inflation.
3. UK nationwide competitor.

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Fundamentally rebasing UK Home in-home servicing

2015 to 2018
improved service and competitiveness

- Upgraded field technology and diagnostics, improving first time fix
- Introduced digital appointment booking, reducing call volumes
- Launched 'engineer tracking' improving customer experience and helping reduce missed appointments
- Created regional teams organised around the customer to reduce internal hand-offs
- Reduced pension costs
- New propositions helping drive a return to customer growth

Current plans will improve competitiveness further and enable future growth

- Investment in new engineer fulfilment platform, enabling consolidation and reduction of back office support costs
- Upgrade field and supply chain technology, improving same day parts availability. Targeting improvement in first time fix rates from ~80% to 90%
- Leverage our engineer skills base to scale new market opportunities, such as EV charge point installation and servicing
- Increase flexibility, improving effectiveness and efficiency of customer delivery

Agenda

- Group purpose and strategy
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Connected Home progress and learnings

Cumulative Hive products, hubs, subscriptions
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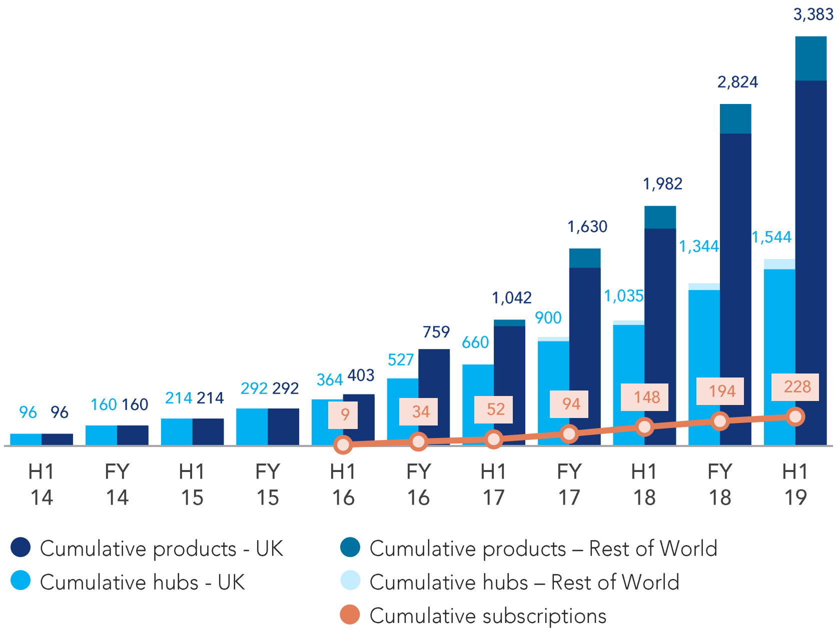

- Successful growth in the UK as a result of existing customer scale, channel synergies, and in-home fulfilment
- Leading UK brand awareness and penetration, with strong customer experience – NPS +42
- Reliable and scalable platform
- Products synergistic with energy and services (Smart Thermostat, TRVs, Remote Diagnostics)
- Positive impact on retention and attracting 'new to Centrica' customers
- Not achieved growth expectations in North America and Italy due to the absence of a number of these factors

Refocusing Home Solutions

- Connected Home activity refocused on the UK and Ireland where Centrica is advantaged and renamed Centrica Home Solutions
- Leverage distinctive field force asset for new propositions
- Propositions centred around Home Energy Management and Remote Diagnostics and Monitoring
- Projecting ~£150-£200m of revenue by 2022
- Significantly reduced costs and investment requirements
    - £30m p.a. operating cost reduction
- Targeting EBITDA break-even by 2021
- Explore ways to unlock value from platform and capabilities

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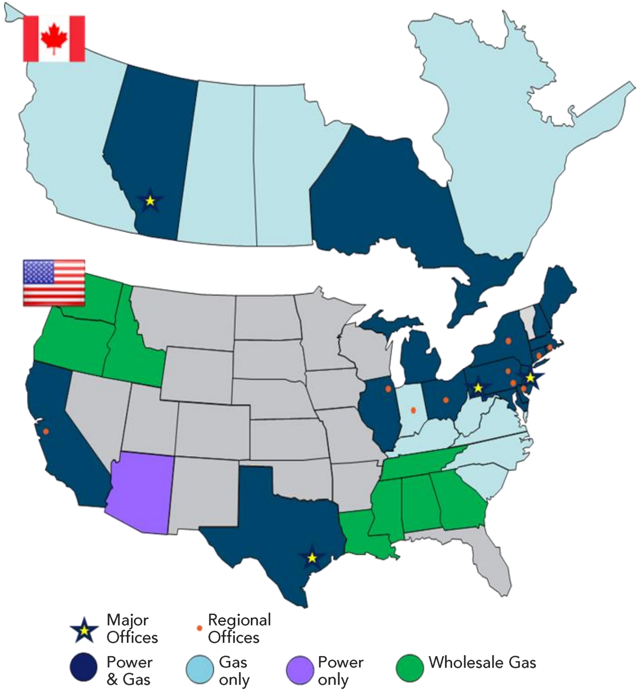
Business energy supply in North America

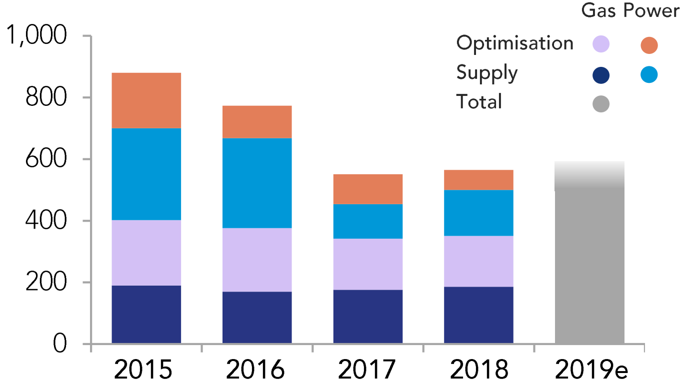
North America Business market presence



- Profit delivered through customer-led activities:
  - Supply of gas, power and risk optimisation services to ~250k customers
  - Optimisation of pipeline and storage capacity access provided by retail activity
  - Providing route-to-market services for power producers
- Provides risk management support for NA Home
- Sources of competitive advantage for NA Business
  - Scale, product offers, risk management and optimisation, high NPS
- Exposure to weather, market volatility, shape of commodity curves and timing of capacity charges
- Customer base a source of competitive advantage for Centrica Business Solutions

North America Business performance

Full year gross margin 2015 – 2019 ($m)



	2015	2016	2017	2018
Adjusted operating profit ($m)	378	291	87	109
AOCF ($m)	522	377	101	376
Capital Employed ($bn)	2.3	1.9	1.6	1.1
ROACE[1]	9%	9%	6%	6%

- Structural changes and internal factors leading to poor power profitability in 2017 and 2018
  - Lower customer usage
  - Increased competitive intensity
  - Shape of curve and capacity charges
  - Poor visibility and forecasting of gross margin components
- Actions already undertaken to improve gross margin, deliver cost reductions, enhance analytics and controls and reduce capital employed
- Further improvement actions initiated

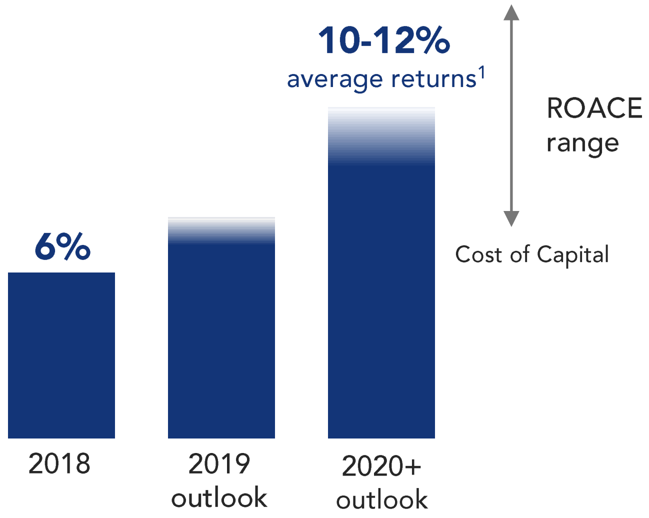
1. Economic ROACE excludes goodwill and includes collateral; normalised for the impact of the 2017 accounting adjustment.

Actions underway to improve returns in NAB

- Improvements in underlying gross margin delivery
  - Participation choices to focus on higher value customer segments
  - Core retail offer changes to reduce risk
  - Further improvement expected from optimisation of customer mix and leveraging Centrica Business Solutions technologies and propositions to improve customer retention
- ~$25m of cost efficiencies delivered since 2015; further actions to deliver an additional ~$25m
  - Improved systems and processes
  - More efficient functional model and reduced support costs
  - Additional savings from reduced third party spend, further process improvements, reduced overheads
- Capital employed reduced by ~$1.2bn since 2015 without degrading underlying margin quality; additional actions expected to deliver a further $100m reduction over next two years
  - Active management to reduce working capital and margin cash requirements
  - Improved internal systems and processes for commodity purchasing

North America Business outlook

- Focus on business energy supply and optimisation and enabling Centrica Business Solutions growth
- Above cost of capital returns expected in 2019 due to:
  - Actions delivered to improve margins, lower costs, reduce capital employed
  - Reversal of curve shaping effect and capacity charges
- Further improvement actions already being delivered
- Average ROACE of at least 10-12% and no worse than 8% at the bottom of cycle
- Significant opportunity to leverage customer base to grow Centrica Business Solutions
- Future investment for growth only once stable returns have been consistently demonstrated



1. Average returns is Economic ROACE which excludes goodwill and includes collateral.

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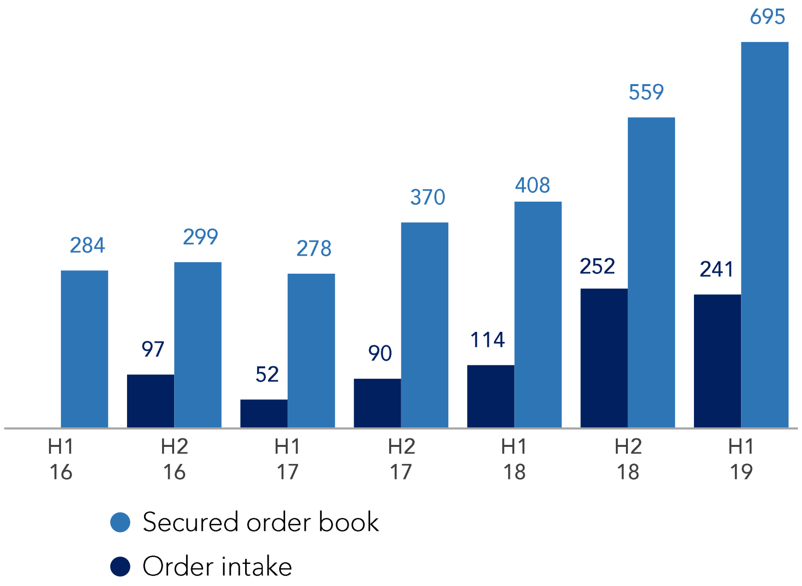
Centrica Business Solutions progress

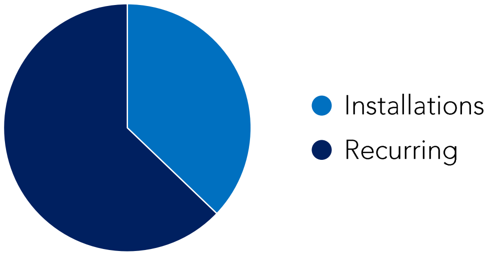
Order intake and order book (£m)



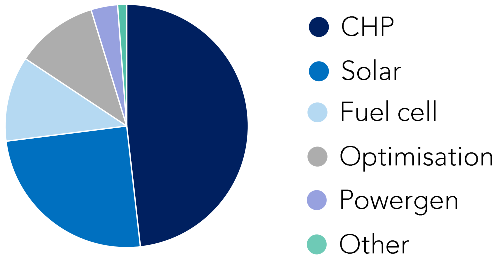
- Activity aligned to energy trends and changing customer demand
- Focused on energy optimisation and solutions
  - Wide range of technology including Solar, CHP and battery
  - Advanced software underpins optimisation propositions
- Distinctive capabilities developed – integrated approach to customer solutions
- Expanded geographic reach
- Strong revenue, order intake and order book growth

Growing Centrica Business Solutions

Order book by revenue type (£m)



Order book by product type (£m)



- Centrica Business Solutions will continue to invest internationally
  - Focus on UK, Ireland, North America, Continental Europe
- Growing installed base provides platform for recurring revenues
  - O&M, optimisation, financed solutions
- Further growth through leveraging existing customer relationships and utilising wide range of technologies
- Continue to target £1bn of revenue by 2022
- Targeting ~20% gross margins across portfolio
  - One-off installation~8-20%
  - Recurring O&M and optimisation ~20-40%
  - Recurring financed solutions: IRRs>10%
- Targeting EBITDA break-even by 2021

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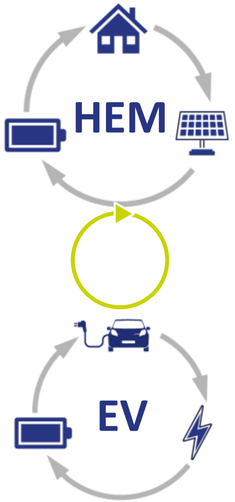
Home Energy Management and Mobility Solutions

Consumers



Residential energy customers, EV owners/ users

Businesses

- OEMs
- Vehicle fleets
- Residential new build developers
- Business locations (e.g., retail, office, parking)
- Residential property managers

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B2B2C and B2C routes to market

Exclusive partnership with Ford in the UK and Ireland

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Potential Home Energy Management platform

Centrica HEM Interface (App, Voice/Display)

Integration Layer

3rd Party data services

Honeycomb

Hive device control/management

- Heating Control
- Home Automation
- AI Diagnostics

GREENCOM NETWORKS

HEM device control/management

- Energy Management
- Energy Information
- Brokerage

driivz

KEEPING YOU IN CHARGE

EV charging network control/management

- EV Charging
- Management
- AI Diagnostics

Centrica Business Solutions REstore

- Automated Intelligent Demand Response
- Virtual Power Plant Aggregation & Trading

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What to expect from Centrica moving forward

- Completion of the shift towards the customer with exit from E&P and Nuclear, with Centrica becoming a leading international Energy Services and Solutions provider
- Increasingly well positioned for the future energy transition
- Focus on our strengths of energy supply and its optimisation, and on services and solutions centred around energy, with an emphasis on helping our customers transition to a lower carbon future
- Material further cost efficiency, as we target becoming the lowest cost provider in all our markets, consistent with chosen brand positioning and propositions
- Stabilisation and growth in customer accounts and expansion of net margin per account
- A continued focus on capital discipline and maintaining a strong balance sheet
- A progressive dividend linked to earnings and cash flow growth from a rebased level of 5.0p per share

Q&A

Iain Conn
Group Chief
Executive

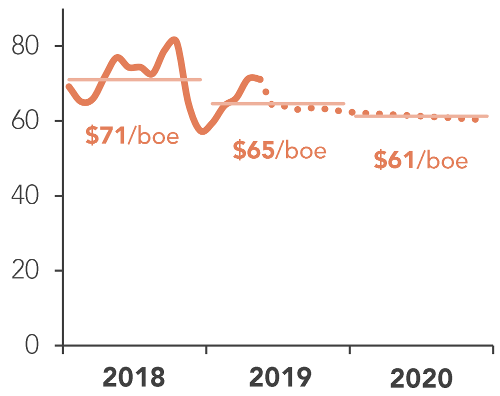
Chris O'Shea
Group Chief
Financial Officer

Sarwjit Sambhi
Chief Executive,
Centrica Consumer

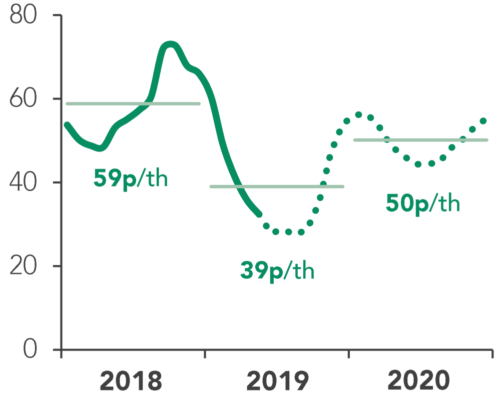
Richard Hookway
Chief Executive,
Centrica Business

Commodity prices

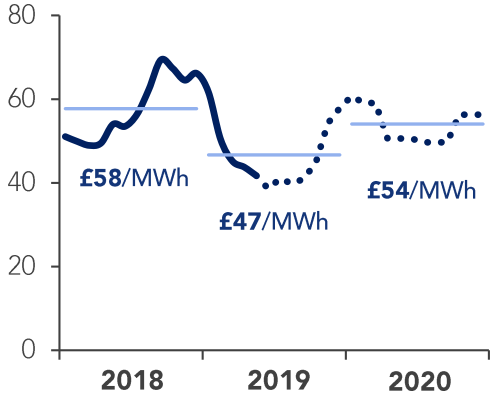
Average annual Brent oil prices ($/bbl)



Average annual UK NBP gas prices (p/th)



Average annual UK baseload power prices (£/MWh)



Historic month ahead prices

Forward month ahead prices

Brent oil, UK NBP gas and UK baseload power prices are month ahead prices as at 29 July 2019.

Adjusted operating profit

Period ended 30 June (£m)	2018	**2019**	Δ
UK Home	393	**181**	(54%)
Ireland	15	**31**	107%
North America Home	66	**77**	17%
Connected Home	(44)	**(49)**	(11%)
Total Centrica Consumer	430	**240**	(44%)
UK Business	23	**19**	(17%)
North America Business	50	**(14)**	nm
Distributed Energy & Power	(37)	**(27)**	27%
Energy Marketing & Trading	48	**32**	(33%)
Central Power Generation	12	**1**	(92%)
Total Centrica Business	96	**11**	(89%)
Exploration & Production	256	**148**	(42%)
Total Centrica	782	**399**	(49%)

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

Adjusted operating cash flow

Period ended 30 June (£m)	2018	**2019**	Δ
UK Home	91	**150**	65%
Ireland	29	**49**	69%
North America Home	117	**83**	(29%)
Connected Home	(43)	**(32)**	26%
Total Centrica Consumer	194	**250**	29%
UK Business	58	**111**	91%
North America Business	172	**(30)**	nm
Distributed Energy & Power	(32)	**(39)**	(22%)
Energy Marketing & Trading	22	**(23)**	nm
Central Power Generation	42	**42**	0%
Total Centrica Business	262	**61**	(77%)
Exploration & Production	667	**433**	(35%)
Other	(22)	**0**	nm
Total Centrica	1,101	**744**	(32%)

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

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Centrica Consumer

ADJUSTED OPERATING PROFIT / (LOSS)

Period ended 30 June (£m)	2018	**2019**	Δ
UK Home	393	**181**	(54%)
Energy	*322*	***86***	*(73%)*
Services	*71*	***95***	*34%*
Ireland	15	**31**	107%
North America Home	66	**77**	17%
Energy	*74*	***79***	*7%*
Services	*(7)*	***(2)***	*71%*
Connected Home	(44)	**(49)**	(11%)
Centrica Consumer	430	**240**	(44%)

ADJUSTED OPERATING CASH FLOW

Centrica Consumer	194	**250**	29%

ADJUSTED OPERATING PROFIT / (LOSS)

Ireland (€m)	*17*	***36***	*112%*
North America Home ($m)	*91*	***100***	*10%*

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

ADJUSTED OPERATING PROFIT / (LOSS)			
Period ended 30 June (£m)	2018	**2019**	Δ
UK Business	23	**19**	(17%)
North America Business	50	**(14)**	nm
Distributed Energy & Power (DE&P)	(37)	**(27)**	27%
Energy Marketing & Trading (EM&T)	48	**32**	(33%)
Core EM&T activities	*84*	*50*	*(68%)*
Flexible legacy gas contracts	*(36)*	*(18)*	*100%)*
Central Power Generation	12	**1**	(92%)
Centrica Business	96	**11**	(89%)
ADJUSTED OPERATING CASH FLOW			
Centrica Business	262	**61**	(77%)

ADJUSTED OPERATING PROFIT / (LOSS)			
North America Business ($m)	*69*	***(19)***	*nm*

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

Exploration & Production

E&P			
Period ended 30 June (£m)	2018	**2019**	Δ
Gas and liquids realisations	1,101	**972**	(12%)
Adjusted operating profit	256	**148**	(42%)
Adjusted operating cash flow	667	**433**	(35%)
Free cash flow	442	**256**	(42%)

E&P production
(mmboe)

Average gas sales price
(p/therm)

Average liquids sales price
(£/boe)

Lifting & other cash production costs
(£/boe)

The above figures are stated before exceptional items and certain re-measurements and include share of joint ventures and associates before 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 58 to 61 in the Interim Results announcement.

Net debt

Period ended 30 June (£m)	2018	2019
Opening net debt	(2,596)	**(2,656)**
IFRS 16 impact[1]	(394)	**(394)**
Adjusted net cash inflow / (outflow)	(285)	**(305)**
Other movements in net debt	(5)	**(21)**
Closing net debt[1]	(3,280)	**(3,376)**
Cash posted as collateral	(350)	**(532)**
Closing net debt excluding cash posted as collateral	(3,630)	**(3,908)**

1. 2018 Net Debt presented on like for like basis with 2019, includes an IFRS16 overlay of £394m. H1 2018 unadjusted reported closing net debt was £2,886m.
The items to which the cash posted or received as collateral under margin and collateral agreements relate are not included within net debt. For further detail see note 12 of the Interim Results announcement.

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Net investment

Period ended 30 June (£m)	2018	**2019**
Centrica Consumer	110	**81**
Centrica Business[1]	132	**50**
Exploration & Production	231	**183**
Other[2]	20	**41**
Capital expenditure (including small acquisitions)	493	**355**
Net disposals	(30)	**(216)**
Group net investment	463	**139**

1. 2018 includes North America Business bolt-on acquisitions.
2. Other includes Corporate Functions.

See pages 58 to 61 in the Interim Results announcement for an explanation of the use of adjusted performance measures.