



Centrica plc Preliminary Results

for the year ended 31 December 2019



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



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.



Iain Conn

Group Chief Executive

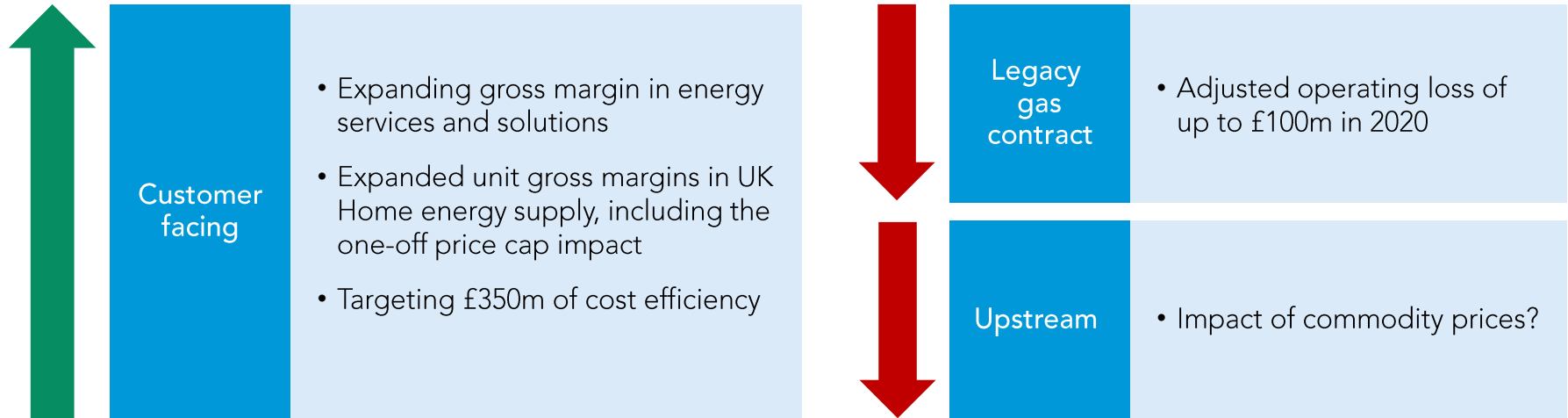
Key messages

- Stable year-on-year underlying operating profit, but financial performance and dividend impacted by commodity prices and regulatory intervention
- 2019 AOCF and net debt within target ranges, H2 adjusted EPS significantly improved vs H1 2019
- Consumer account growth and indicators of stabilisation in UK energy supply
- New propositions and improved customer experience enabling account growth, higher NPS and reduced churn
- New services and solutions capabilities to enable customer transition to a lower-carbon future
- Significant cost efficiency delivery and momentum into 2020 underpinned
- Progressing Strategic Update conclusions, including exit from E&P, re-focusing CHS and rebasing of UKH
- 2020 focus – growing customer relationships, efficiency delivery, building capability, and financial discipline
- 2020 outlook – Consumer and Business expected to deliver underlying earnings momentum, but recent weakness in commodity prices will impact E&P and Nuclear. 2020 AOCF expected to be in the range £1.6bn-£1.8bn based on 31 December 2019 prices. Sources and uses of cash to remain broadly balanced.

2019 performance headlines

- EBITDA of £2,119m (down 13%) and adjusted gross margin of £3,852m (down 9%)
- Adjusted operating profit down 35% at £901m, adjusted EPS down 35% to 7.3p
- Correcting for UK tariff cap and external factors, adjusted operating profit down 2%
- Adjusted operating cash flow down 18% to £1,830m, within 2019 target range of £1.8bn-£2.0bn
- Closing net debt of £3,181m, within 2019 target range of £3.0bn-£3.5bn
- Consumer accounts up 722,000 (UK up 451,000), further stabilisation of UK energy account losses in H2
- £315m of cost efficiencies delivered, vs increased target of £300m, providing significant momentum into 2020

2020 earnings momentum



Strategic progress

- Re-iteration of purpose and strategy in July 2019 Strategic Update
 - “Satisfying the changing needs of our customers, enabling the transition to a lower carbon future”
 - Focus on: (i) energy supply and its optimisation and (ii) services and solutions centred around energy
- Clear climate change ambitions and targets, regained CDP “A” rating, engagement with Climate Action 100+
- Completing the shift towards the customer, progressing announced divestments of Spirit Energy and Nuclear
- Fundamental rebasing of UK Home as we “re-imagine British Gas” – continuing to drive structural improvements in customer journeys, internal processes, digitalisation and the cost base
- Growth in UK Home services, further revenue and order book growth in Centrica Business Solutions
- Centrica Home Solutions refocused on UK&I and around Home Energy Management and Remote Diagnostics
- Improved returns in North America Business through improved profitability and capital discipline
- £350m target for cost efficiencies in 2020 significantly underpinned, will take total since 2015 to £1.6bn p.a.

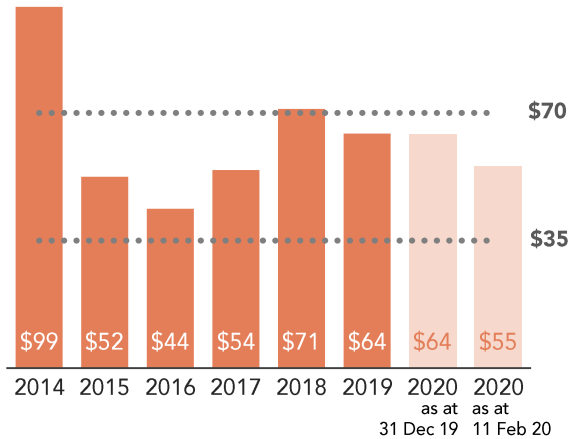


Chris O'Shea

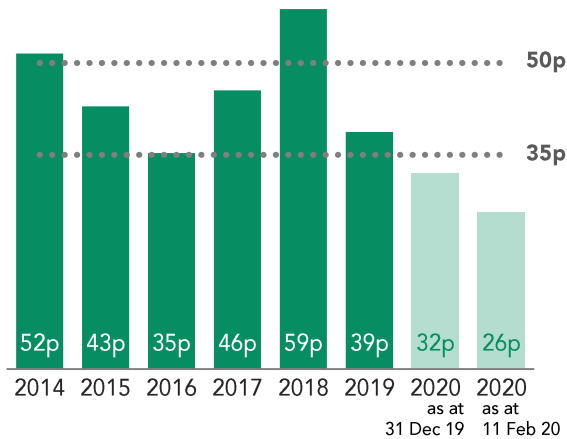
Group Chief Financial Officer

Commodity prices and our exposure

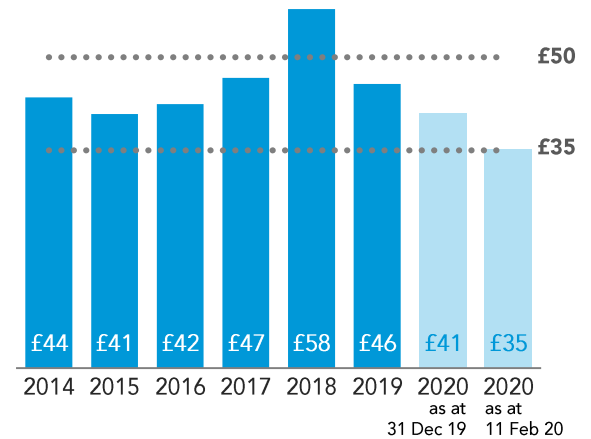
Average Brent oil prices
(\$/bbl)



Average UK NBP gas prices
(p/th)



Average UK baseload power prices
(£/MWh)



Brent oil, UK NBP gas and UK baseload power prices are month ahead prices as at 11 February 2020. Prices are calendar year averages of historic and forward prices for 2020.

Financial headlines

Year ended 31 December	2018 ¹	2019	Δ
Adjusted revenue (£m)	27,381	26,825	(2%)
Adjusted gross margin (£m)	4,253	3,852	(9%)
Adjusted operating profit (£m)	1,392	901	(35%)
Adjusted effective tax rate	41%	34%	(7ppt)
Adjusted earnings (£m)	631	419	(34%)
Adjusted basic earnings per share (p)	11.2	7.3	(35%)
Statutory basic earnings per share (p)	3.3	(17.8)	nm
Full year dividend per share (p)	12.0	5.0	(58%)
EBITDA (£m)	2,447	2,119	(13%)
Adjusted operating cash flow (£m)	2,245	1,830	(18%)
Group net investment (£m)	968	565	(42%)
Net debt (£m)	3,050 ²	3,181	4%
<i>Net debt as reported (£m)</i>	<i>2,656</i>	<i>3,181</i>	<i>20%</i>

1. The Group has amended the presentation of energy derivative contracts following an IFRIC agenda decision in March 2019 and a review of its trading businesses. Prior year results for revenue have been restated accordingly.

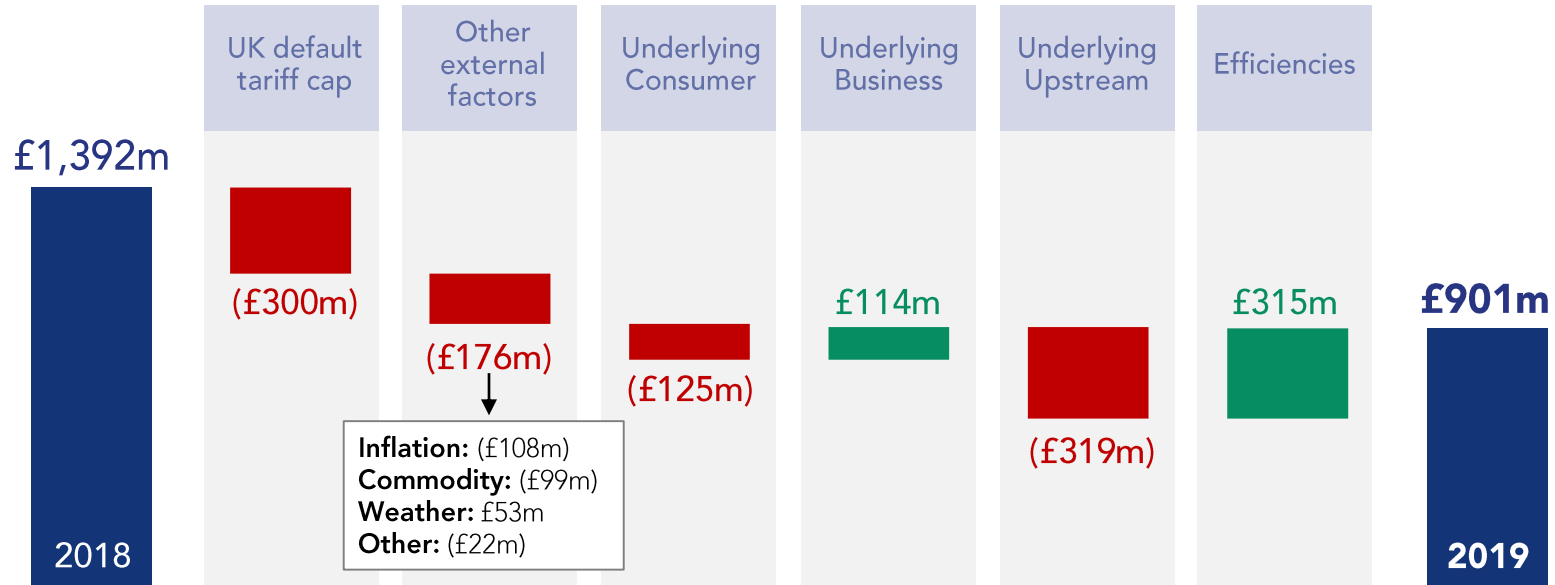
2. 2018 Net Debt presented on like-for-like basis with 2019, includes an IFRS16 overlay of £394m.

The above adjusted figures are before exceptional items and certain re-measurements. Adjusted operating profit includes share of joint ventures and associates after 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 64 to 65 of the Preliminary Results announcement.

Exceptional items and certain re-measurements

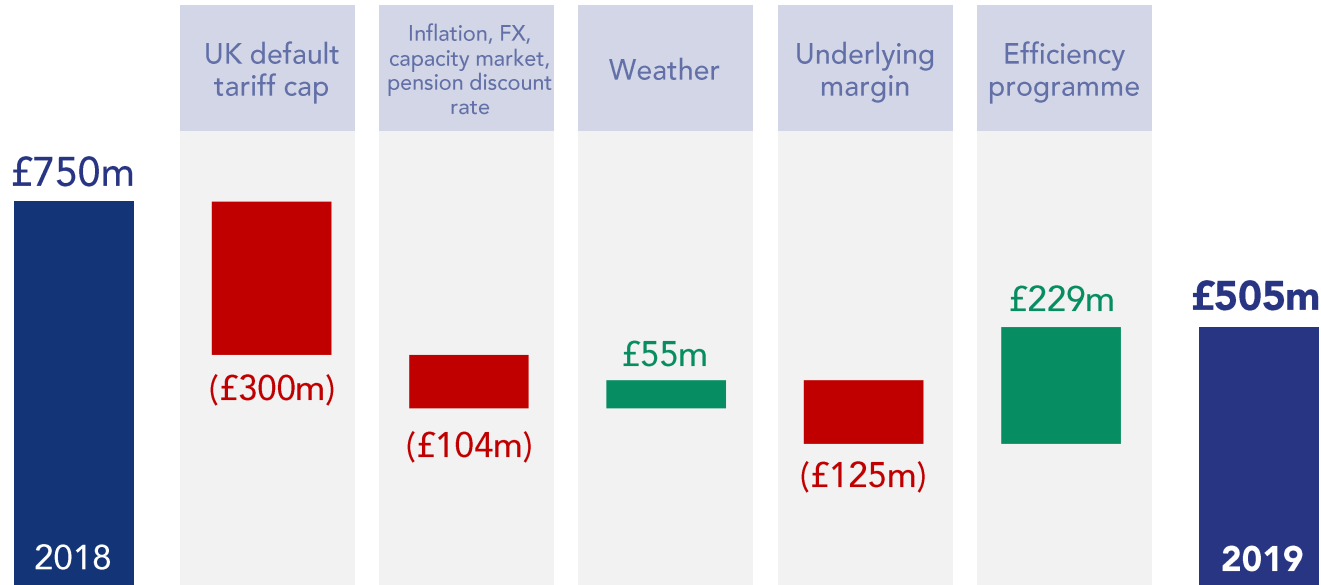
Year ended 31 December 2019	£m	p/share
Adjusted earnings attributable to shareholders	419	7.3
Pre-tax exceptional items	(1,103)	
<i>Total impairments</i>	(934)	
<i>Restructuring costs</i>	(356)	
<i>Net pension change</i>	152	
<i>Net gain on disposal</i>	35	
Tax on exceptional items	116	
Post-tax exceptional items	(987)	(17.2)
Post-tax net re-measurements	(544)	(9.4)
Attributable to non-controlling interests	89	1.5
Statutory earnings / (loss)	(1,023)	(17.8)

Group: adjusted operating profit drivers



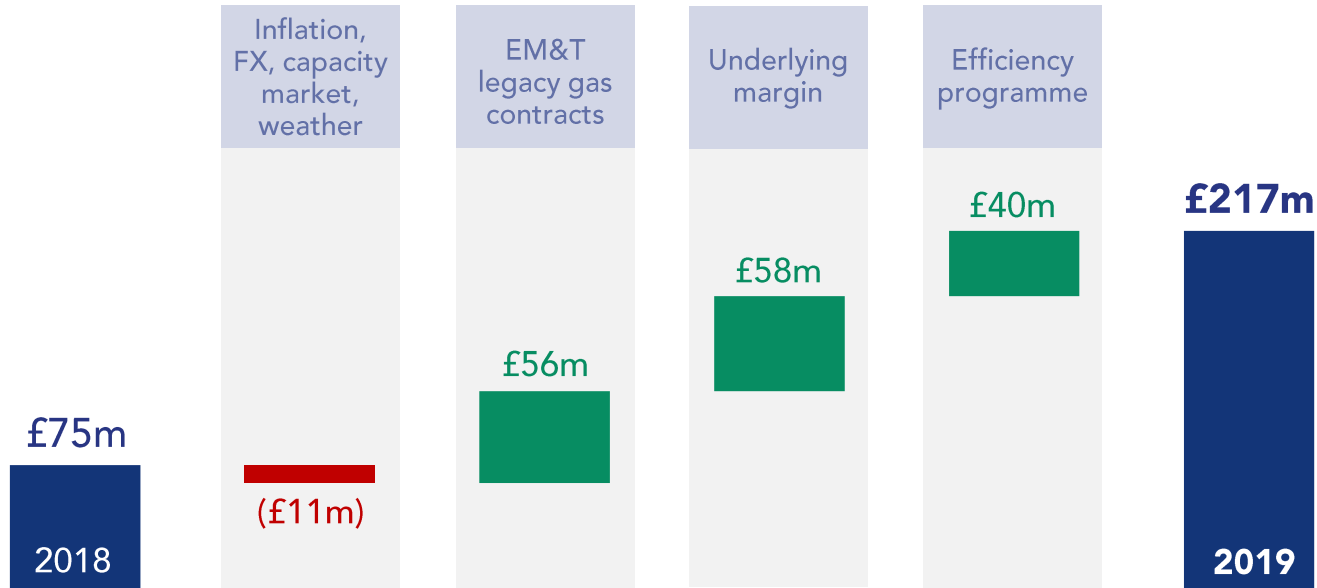
The above adjusted figures are before exceptional items and certain re-measurements. Adjusted operating profit includes share of joint ventures and associates after interest and taxation. Reconciliations of adjusted operating profit and adjusted earnings are provided in the Group Financial Review in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

Consumer: 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 Preliminary Results announcement.

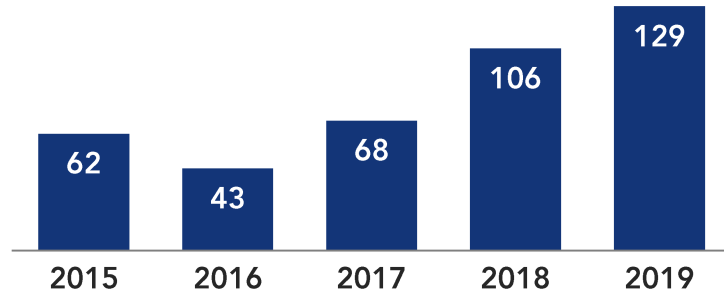
Business: adjusted operating profit drivers



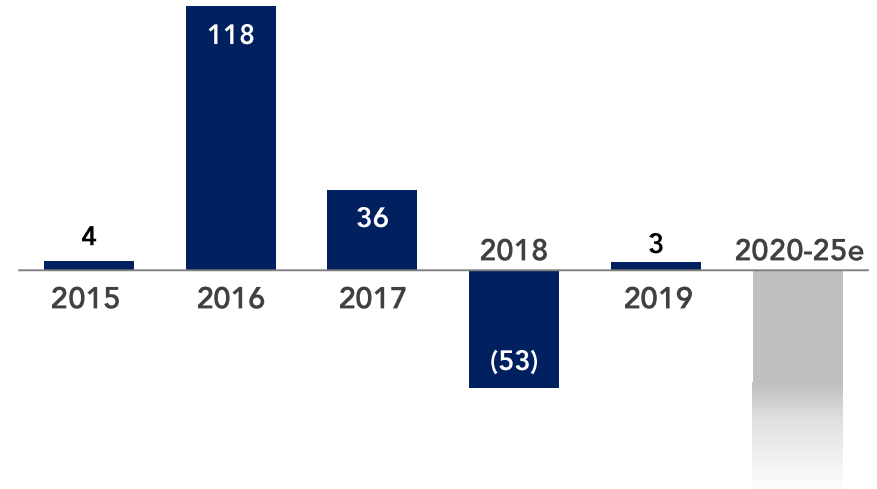
The above adjusted figures are before exceptional items and certain re-measurements. Adjusted operating profit includes share of joint ventures and associates after interest and taxation. Reconciliations of adjusted operating profit and adjusted earnings are provided in the Group Financial Review in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

Energy Marketing & Trading and legacy gas contracts

EM&T adjusted operating profit excluding legacy contracts
(£m)

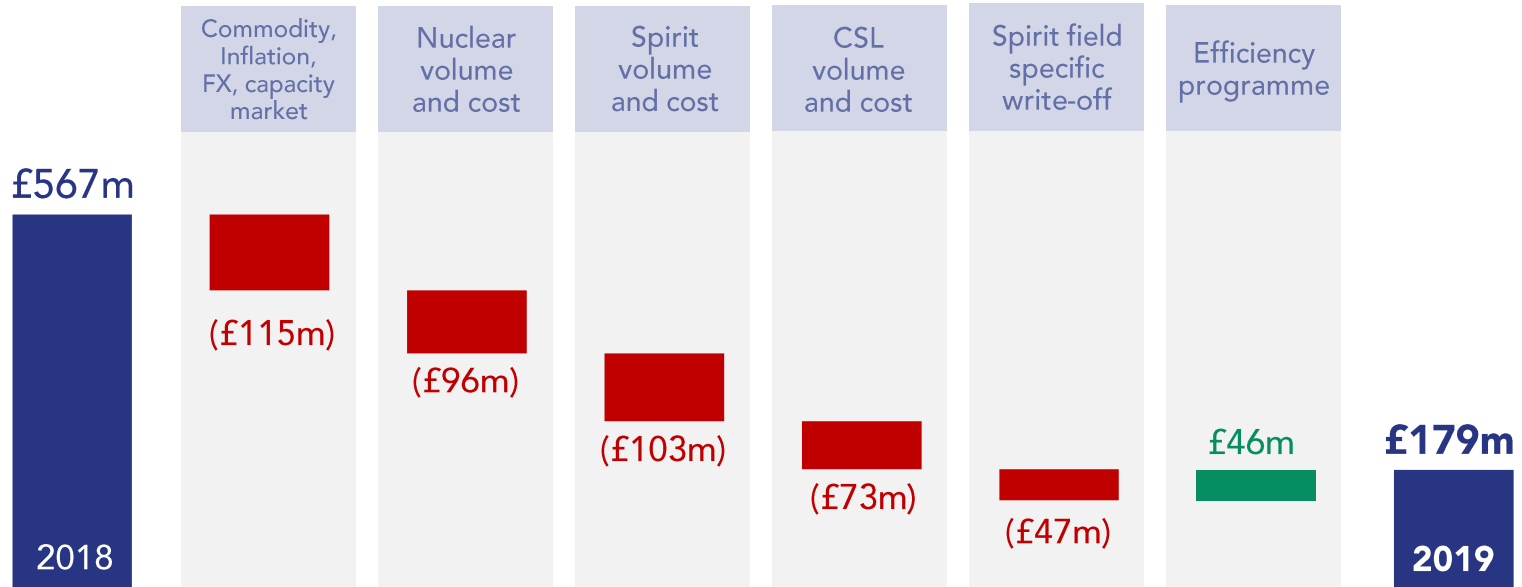


EM&T legacy contracts adjusted operating profit
(£m)



Future legacy contracts based on extrinsic value of contract before any optimisation or take or pay decisions.
Spalding contract excluded.

Upstream: 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 Preliminary Results announcement.

Upstream operational performance and progress

- 2019 Nuclear output impacted by extended outages at Hunterston B and Dungeness B
- 2019 total E&P production in line with expectations
- 2020 Spirit Energy production expected to be in line with 2019; 2020 CSL production expected to be in the range 3-5mmboe
- Field appraisal and development in Spirit Energy
 - Oda on-stream in March 2019
 - Ongoing reserves development at Nova, Chiswick, Chestnut
 - 2P reserves replacement ratio of 140%
 - Statfjord life extension agreed
 - Three wells drilled in Greater Warwick Area in 2019

Nuclear power generated (TWh)



- Other stations
- Hunterston B and Dungeness B

Upstream production (mmboe)



- Spirit Energy
- CSL

Cash flow

Year ended 31 December (£m)	2018	2019
EBITDA	2,447	2,119
Tax	(61)	(92)
Dividends received	22	1
Working capital	9	(38)
Other ¹	(172)	(160)
Adjusted operating cash flow	2,245	1,830

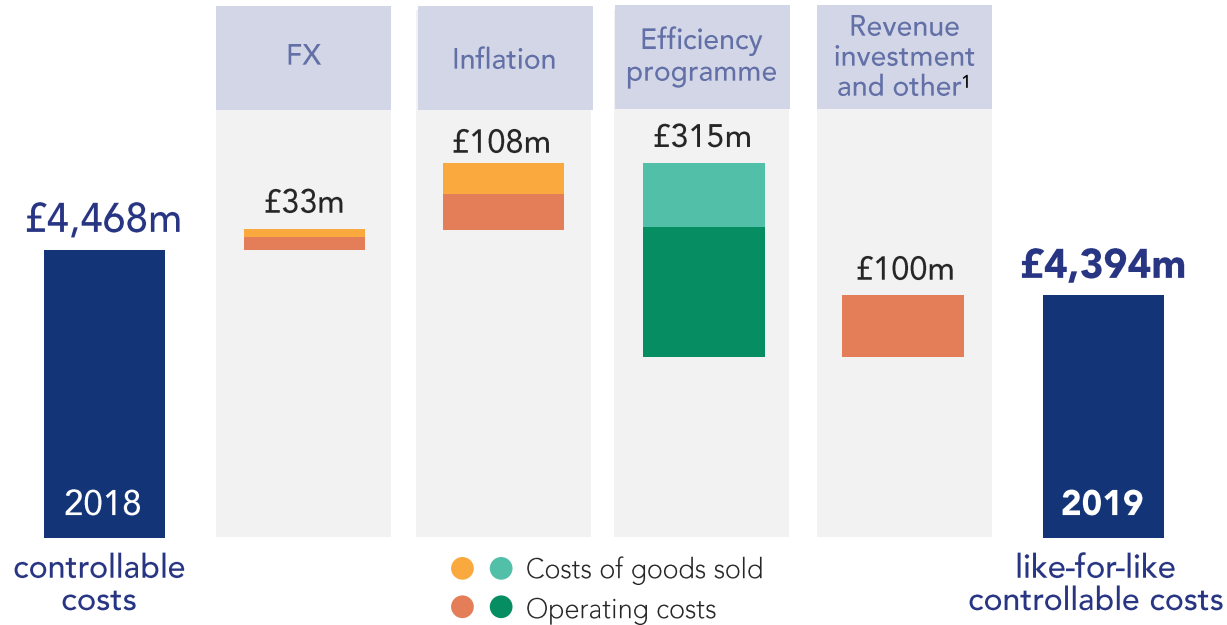
Year ended 31 December (£m)	2018	2019
Adjusted operating cash flow	2,245	1,830
Net investment	(968)	(565)
<i>Organic investment</i>	(926)	(781)
<i>Acquisitions</i>	(88)	(31)
<i>Divestments</i>	46	247
Exceptional cashflows	(248)	(298)
Other ²	(11)	2
Free cash flow	1,018	969
Interest (including 2018 debt repurchase)	(429)	(232)
Dividends – Centrica shareholders	(551)	(471)
Dividends – Spirit minority shareholders	0	(124)
Pension deficit payment	(98)	(235)
Adjusted net cash inflow / (outflow)	(60)	(93)

1. Consists of profit on disposals, movement in provisions, defined benefit pension service cost and contributions, share schemes, remeasurement of energy contracts recorded in the left hand column.

2. Includes transactions of own and treasury shares.

A reconciliation of adjusted operating cash flow is provided in the Group Financial Review in the Preliminary Results announcement. See pages 64 to 65 in the Preliminary Results announcement for an explanation of the use of adjusted performance measures.

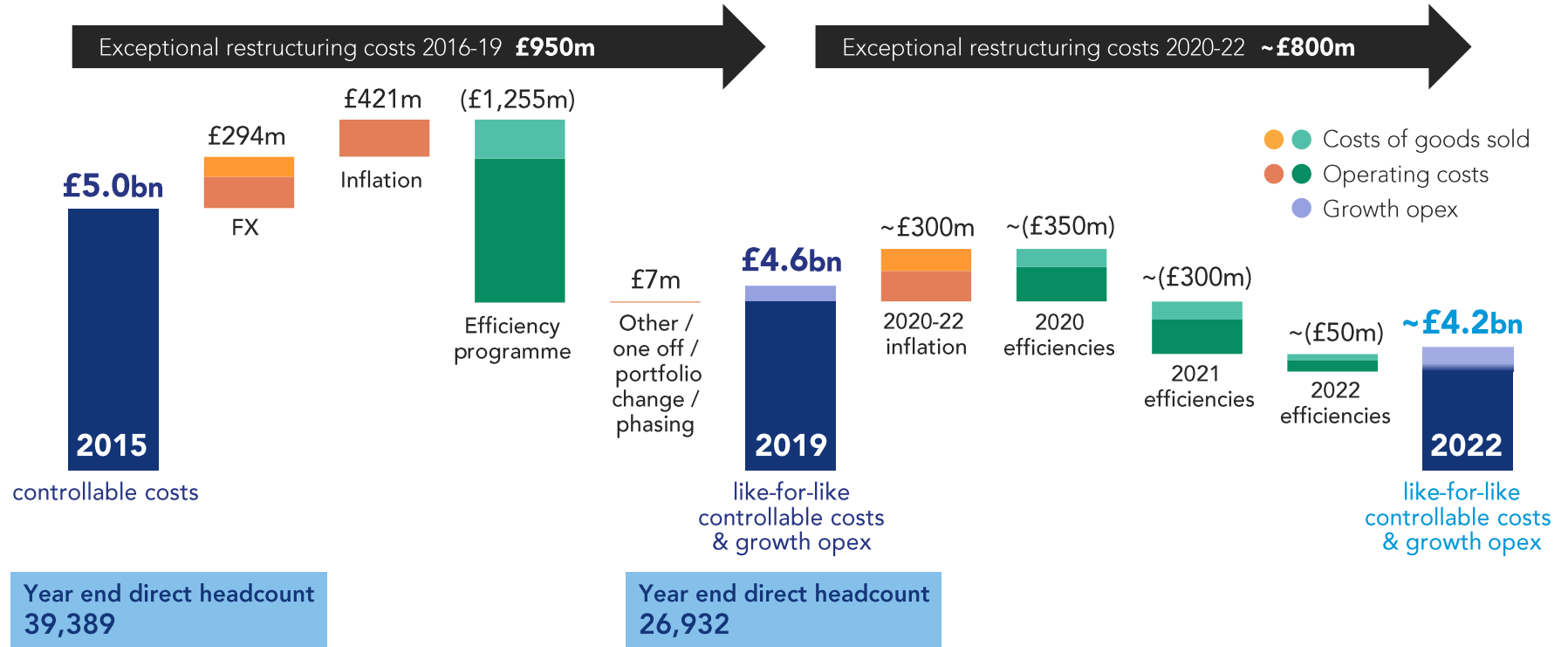
£315m of efficiencies delivered in 2019



1. Other includes revenue investment, service 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 Centrica Home Solutions and Centrica Business Solutions, and controllable cost of sales, excluding the impact of portfolio changes, foreign exchange movements and growth investments in Centrica Home Solutions and Centrica Business Solutions. Other adjusted performance measures are explained on pages 64 to 65 of the Preliminary Results announcement.

Targeting £2bn of efficiencies 2015-22

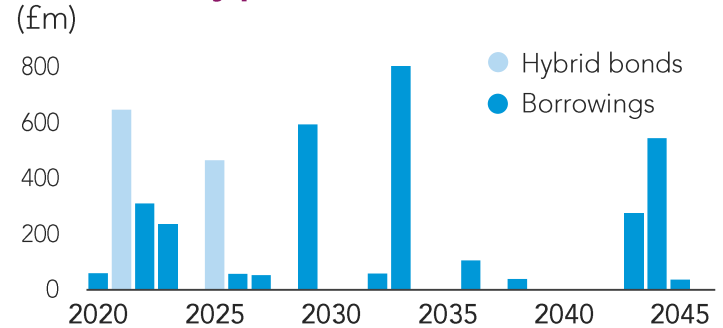


Exceptional restructuring costs 2016-19 include £108m of pension strain costs associated with redundancy in 2019.

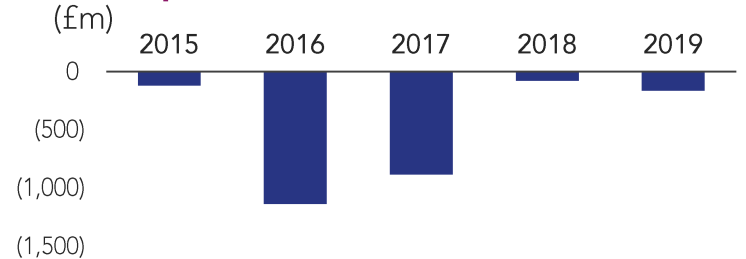
Balance sheet and pension deficit

- Continue to target strong investment grade credit ratings
- £4.2bn committed revolving credit facility renewed with 21 banks in February 2019
- IAS 19 net pension deficit of £163m
- Triennial pensions review completed
 - £1.4bn funding deficit as at 31 March 2018
 - Deficit £1.6bn¹ based on assumptions as at 31 December 2019
 - Total contributions of £175m p.a. 2020-25
- Defined benefit scheme changes agreed with employees
- Pension asset de-risking completed

Debt maturity profile



IAS 19 pension deficit



1. On a pure roll-forward basis from 31 March 2018, using the same methodology and consequent assumptions, the technical provisions deficit would be c£1.6bn as at the year-end. The next triennial review is scheduled for 31 March 2021 and the valuation methodology and assumptions may differ from those previously used.

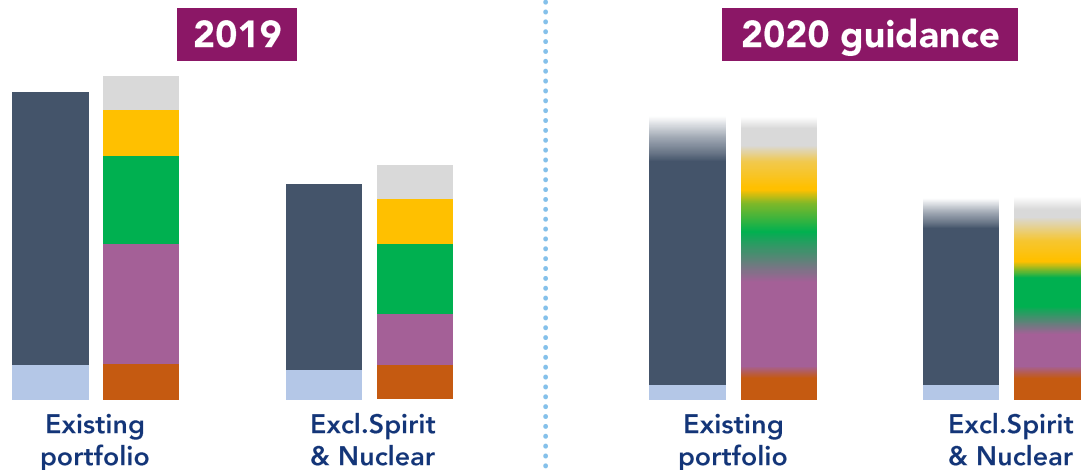
Divestments

- Announced intention in February 2018 to divest shareholding in Nuclear by end 2020
 - Impact of outages on disposal process
- Announced intention in July 2019 to exit Spirit Energy via a trade sale by end 2020
 - Process commenced H2 2019
 - Initial bids expected around the end of Q1 2020
- £500m non-core divestment programme announced in February 2019
 - \$300m Clockwork disposal completed in April 2019
 - £105m King's Lynn A CCGT disposal completed in February 2020
 - Disposal of non-core E&P assets at Valemon and Sindre
 - Potential further non-core E&P disposals now included within Spirit Energy divestment process

Cash flow and P&L post-divestment pro-forma

Sources and uses of cash flow (£m)

- Pension deficit payments
- Exceptional items
- Dividends
- Capex and acquisitions
- Interest
- Announced disposals¹
- AOCF



2019 P&L

EBITDA (£m)	2,119	1,218
Adjusted operating profit (£m)	901	715
EPS (p)	7.3	6.9

1. 2020 announced disposals includes King's Lynn. Excludes any potential proceeds from Nuclear and Spirit Energy.

Group financial framework to 2022

Targets	Metrics
Adjusted operating cash flow	<ul style="list-style-type: none">• Growth over the medium term
Dividend	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• £1bn of annualised cost efficiency delivery over 2019-22
Capital discipline	<ul style="list-style-type: none">• Annual capital expenditure of around £500m post Spirit Energy and Nuclear disposals
Credit rating	<ul style="list-style-type: none">• Strong investment grade ratings
ROACE	<ul style="list-style-type: none">• At least 10-12%

2020 financial outlook

- 2020 adjusted operating cash flow expected to be in the range £1.6bn-£1.8bn based on 31 Dec 2019 prices
 - Current commodity prices indicate around bottom end of range
- Continued financial discipline – expect sources and uses of cash flow to remain broadly balanced
- Customer-facing activities expected to benefit from underlying earnings momentum:
 - Absence of £70m one-off price cap impact
 - Cost efficiency momentum
 - Full year of higher unit power retail margins in North America Business
 - Further growth in UK services
 - Reduced losses in Centrica Home Solutions and Centrica Business Solutions
- Remaining legacy gas contract expected to be loss-making in 2020
- Overall earnings from Upstream segment expected to be down

2020 Group targets

- Expect AOCF to be in the range £1.6bn-£1.8bn based on 31 December 2019 commodity prices, assuming the existing portfolio
- Targeting a further £350m of cost efficiency savings
 - Targeting an additional £50m of IT change capex efficiencies
- Total cash capital expenditure from existing portfolio expected to be ~£800m including ~£500m in Spirit Energy
- Expect sources and uses of cash flow to be broadly balanced
- Closing net debt expected to be in the range £3.2bn-£3.6bn, before any impact from E&P and Nuclear divestments
 - Includes £200m of expected additional non-cash capitalised lease costs under IFRS 16



Iain Conn

Group Chief Executive

Agenda

- The changing energy landscape and Centrica's purpose and strategy
- Strategic progress in Centrica Consumer
 - Customer account growth in Consumer
 - UK energy supply market dynamics
 - Rebasing UK Home and improving competitiveness
 - Growth in UK Home services
 - Consumer services and solutions built around energy
 - Refocusing Home Solutions
- Strategic progress in Centrica Business
 - Growing Centrica Business Solutions
 - Energy Marketing & Trading
 - Improving returns in North America Business

Centrica and the changing energy landscape

- Fundamental trends in energy and services
 - Decentralisation of the energy system and distributed technology supporting decarbonisation
 - Choice, power and influence moving to the customer
 - Digitalisation accelerating proposition development, enabling choice and driving efficiency
 - Societal pressures to address Climate Change intensifying
- Energy supply and its optimisation
 - Increased regulatory focus and intervention
 - Declining demand for energy per unit GDP in core energy supply markets
 - Intense competition, more sophisticated optimisation and linkage to services
- Services and solutions centred around energy
 - Increasing customer demand for lower carbon services and solutions
 - Digitalisation and software platforms enabling customer interface
 - Grid optimisation and flexibility services

Centrica's purpose and strategy

Purpose: Satisfying the changing needs of our customers, enabling the transition to a lower carbon future

- A "21st Century Energy Services and Solutions Company", focused on distinctive strengths
 - Energy supply and its optimisation
 - Services and solutions centred around energy
- Completing the shift towards the customer, exiting E&P and Nuclear
- Equipped and committed to help our customers transition to a lower carbon future
- Climate change commitments and external engagement
 - New climate change ambitions, framework and goals reflecting the 2015 Paris Accord
 - Owning our Scope 3 emissions, and committed to "net zero" by 2050
 - CDP rating increased to A; Centrica signed up to TCFD; continued engagement with Climate Action 100+

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

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; ~8,000 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

- 25GW of route-to-market capacity and 2.5GW of flexible 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

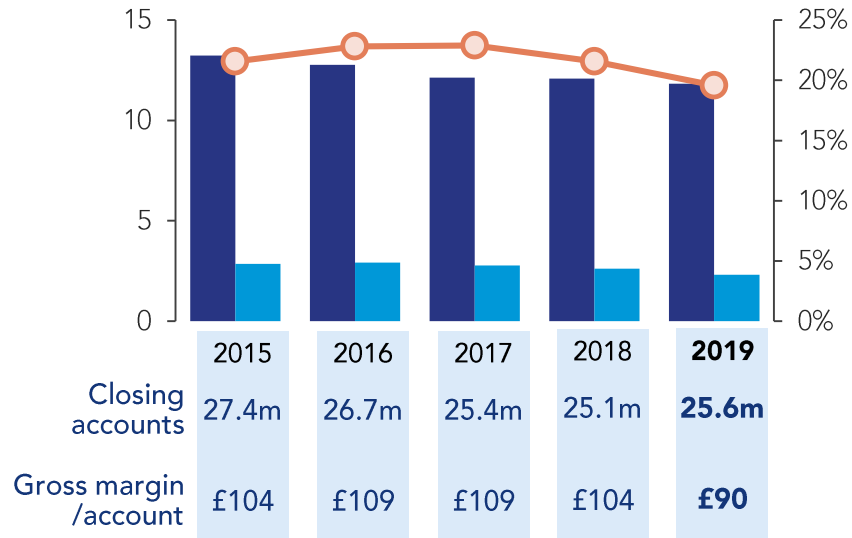
Business Services and Solutions

- Over 6,000 sites and over 750MW 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, low carbon as a service and electric vehicle propositions

Customer-led gross margin

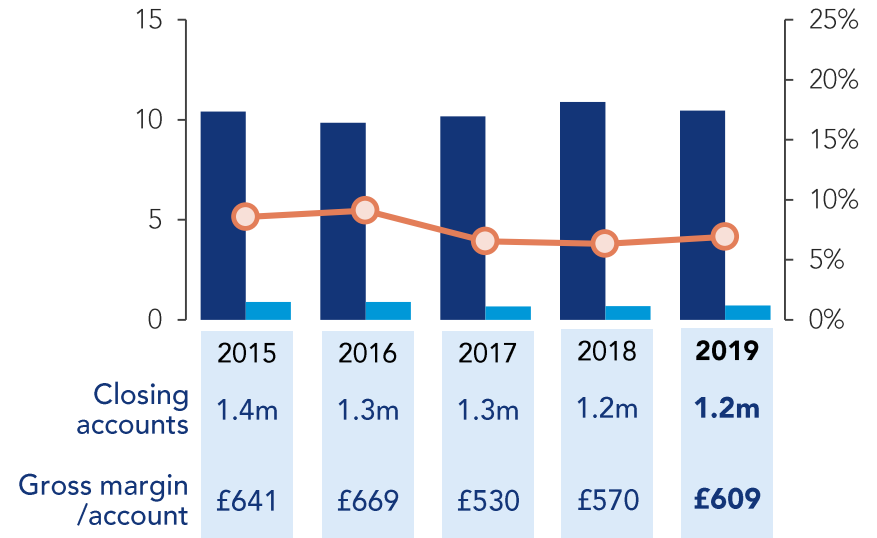
Consumer Division

(£bn)



Business Division¹

(£bn)

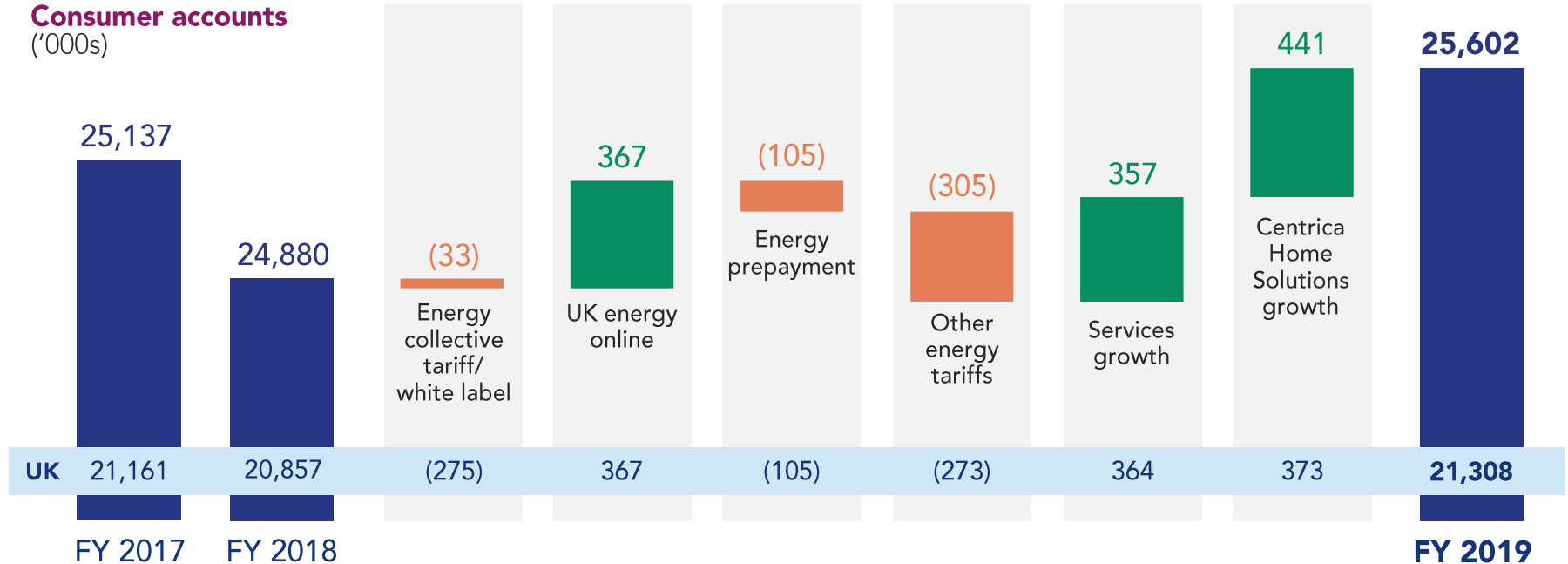


● Revenue (£bn)
 ● Gross margin (£bn)
 —○— Gross margin (%)

¹ Includes UK Business, NA Business and Centrica Business Solutions.

Customer account growth in Consumer

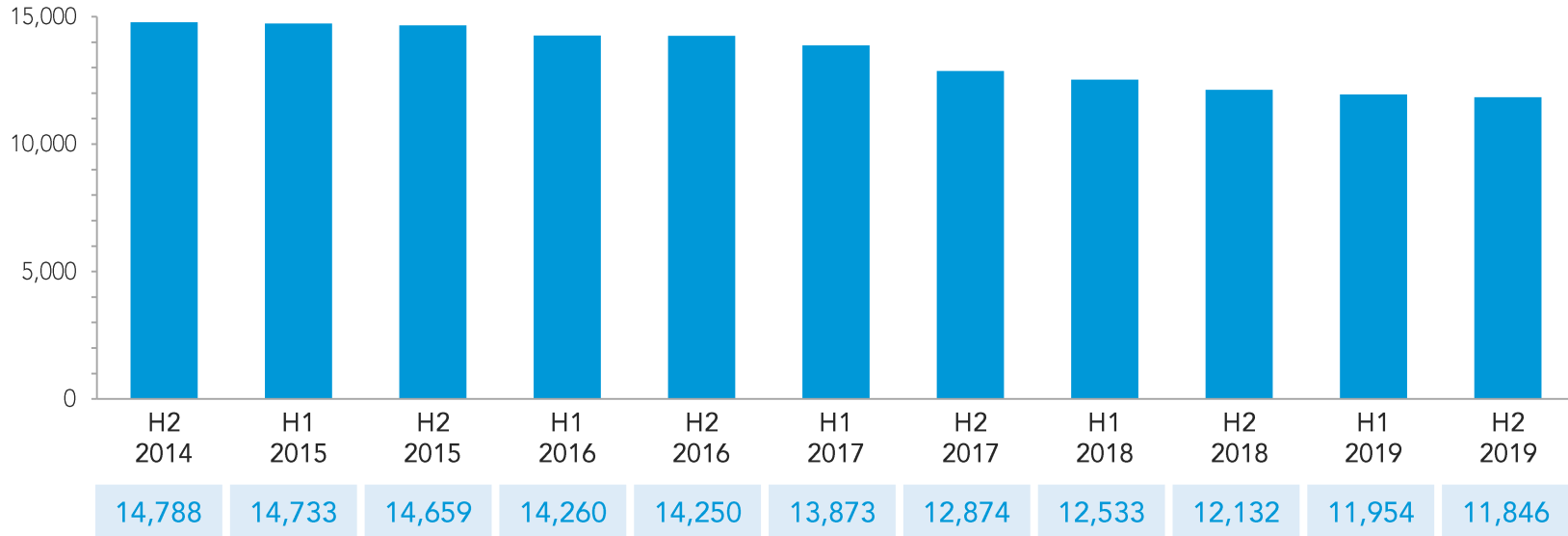
Consumer accounts
('000s)



FY 2018 and FY 2017 are 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, excluding minor contract add-ons on US home warranty contracts which are no longer considered standalone accounts and including Ireland services and business customer accounts.

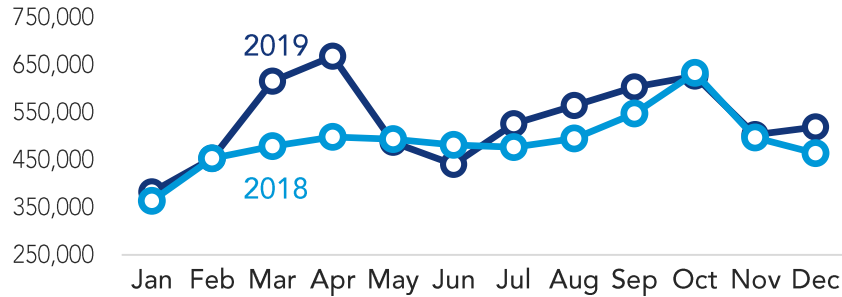
Stabilisation in UK Home energy customer accounts

UK energy supply customer accounts (*'000s, period end)

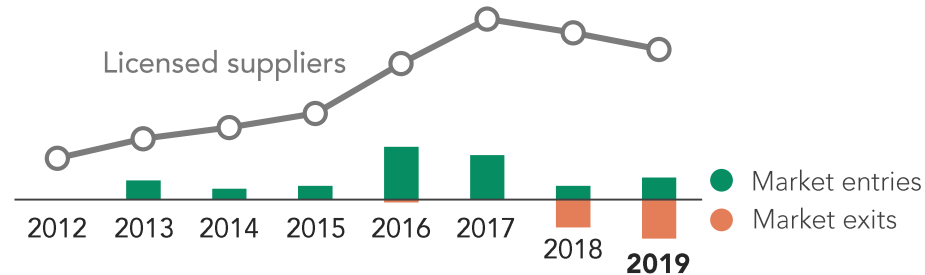


UK Energy Supply market dynamics

UK market switching¹



Number of UK domestic suppliers



Competitive on price comparison sites²



1. Electricity switching data as published by Energy UK.

2. Price on 3-February for Dual Fuel, Direct Debit, London Postcode, for tariffs that you can switch to through the Price Comparison Website. Based on 2019 Ofgem average domestic consumption values for gas and electricity.

Rebasing UK Home: Objectives

1 Further improve levels of competitiveness

- Move towards lowest cost per customer in the energy supply market
- Reduce cost per customer in in-home servicing to top quartile

2 Innovate and improve our agility to more quickly respond to the needs of our customers

- Transform customer experience to significantly improve NPS
- Retain customers and broaden our relationships

3 Bring value-adding new propositions to market more quickly

- Accelerate our speed to market and broaden our range of propositions
- Grow market share in energy and services

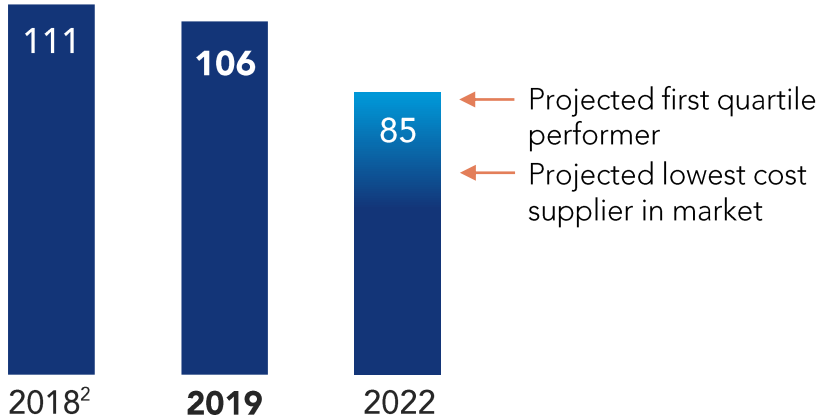
4 Fundamentally change our organisation, culture and ways of working

Rebasing UK Home: Plans and progress

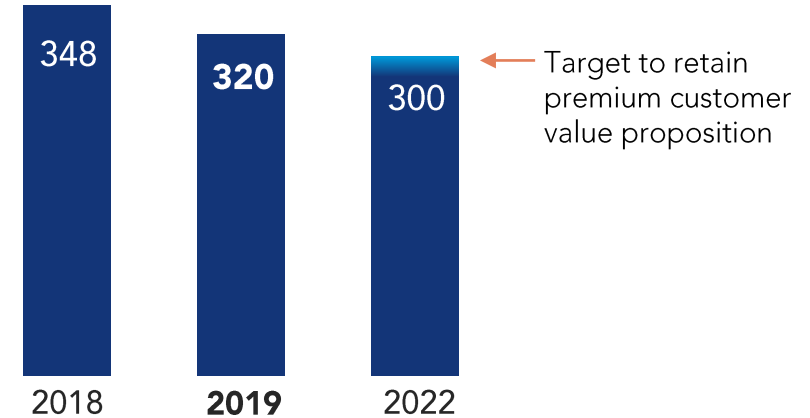
	Plans	Progress
Overall	<ul style="list-style-type: none"> Organise around customer end-to-end journeys Transform technology to be more flexible and lower cost Simplify the organisation, reduce non-customer facing roles 	<ul style="list-style-type: none"> Two end-to-end customer journey teams up and running Proof of concept based on BG Lite technology platform currently live in market ~800 reduction in non-customer facing roles in 2019 across energy and services
Energy	<ul style="list-style-type: none"> Improve coverage and quality of digital journeys to enable 70% of customer transactions to be digital Multi-skill call centre agents so they can resolve customer queries first time, without transfer Reduce back office costs ~20% through consolidation and automation 	<ul style="list-style-type: none"> British Gas NPS up 3pts over 2019 Digital transactions up 10%, calls down 15% vs 2018 First time customer resolution rate up to 81% Back office costs reduced by 15% in 2019 vs 2018
In-home servicing	<ul style="list-style-type: none"> New engineer fulfilment platform, enabling reduced back office support costs Improve same day parts availability, increase first time fix to ~90% Leverage our engineers to scale new market opportunities, such as EV charge point installation and servicing 	<ul style="list-style-type: none"> First module of new engineer fulfilment platform live 'Bybox' distribution channel increasing same day parts availability ~100 engineers cross-trained for electric vehicle charging point installation with 2020 ramp-up planned

Improving competitiveness in UK Home

UK Home energy cost per customer¹
(£)



UK Home services cost per customer³
(£)



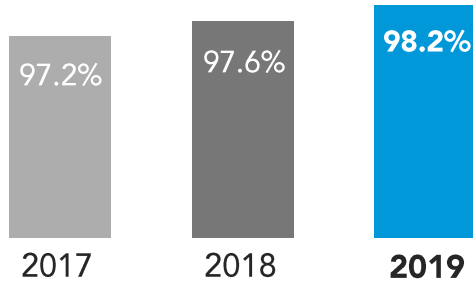
1. Includes all adjusted operating costs. 2019 and 2022 figures adjusted for inflation and stated in 2018 real terms.

2. 2018 restated for one-off bad debt credit.

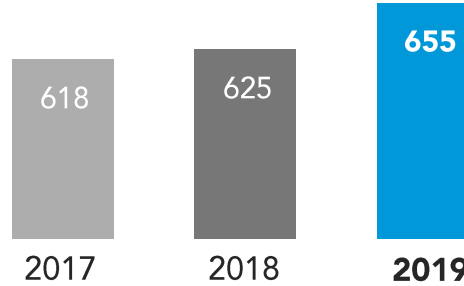
3. Includes cost of sales for Service & Repair and Central Heating Installations together with all adjusted operating costs. 2019 and 2022 figures adjusted for inflation and stated in 2018 real terms.

Growth in UK services

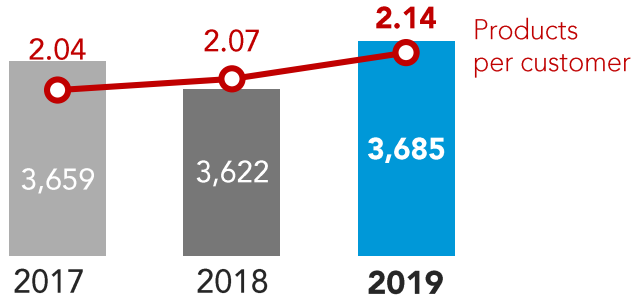
'On time' for the customer (%)



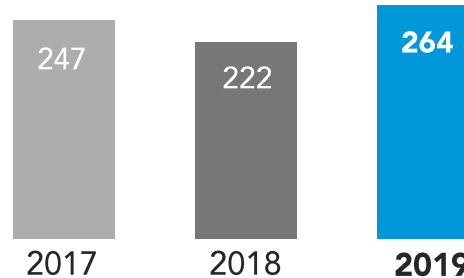
Gross margin¹ (£m)



Customers ('000)



Adjusted operating profit¹ (£m)



1. Adjusted for 'Beast from the East' weather impact in 2018. £16m impact on gross margin, £20m impact on operating profit.

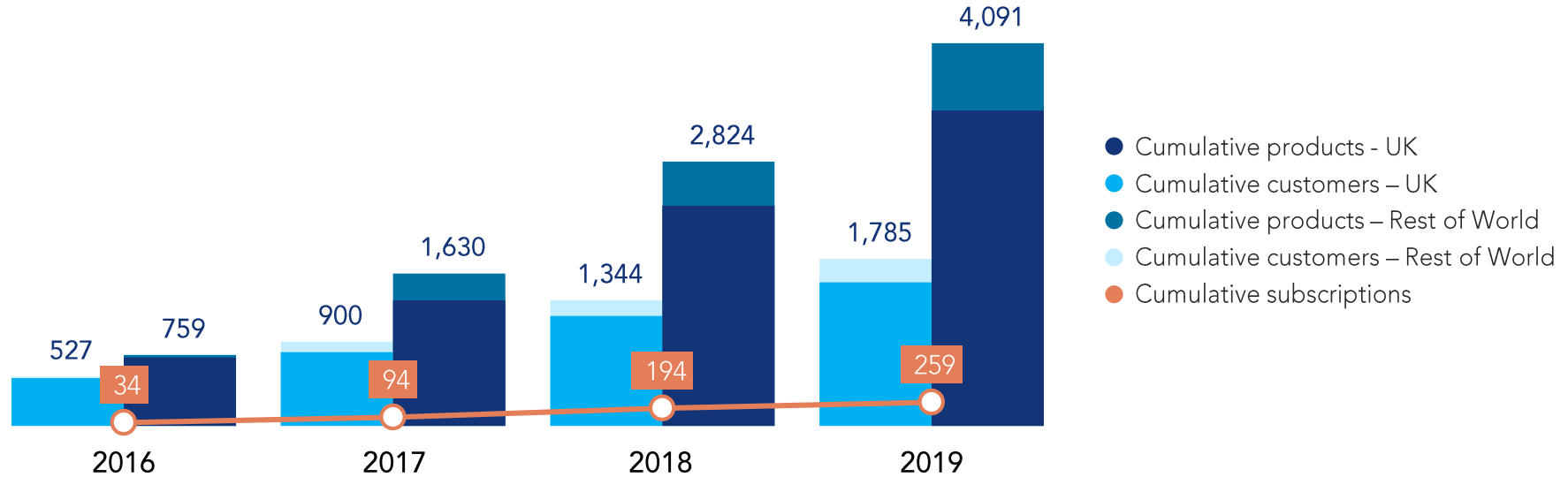
Consumer services and solutions built around energy

Strong track record of innovating for our customers; propositions increasingly focused on enabling the transition to a lower-carbon future



Centrica Home Solutions Growth

Cumulative Hive products, hubs, subscriptions (‘000)



Refocusing Home Solutions

Progressing plans

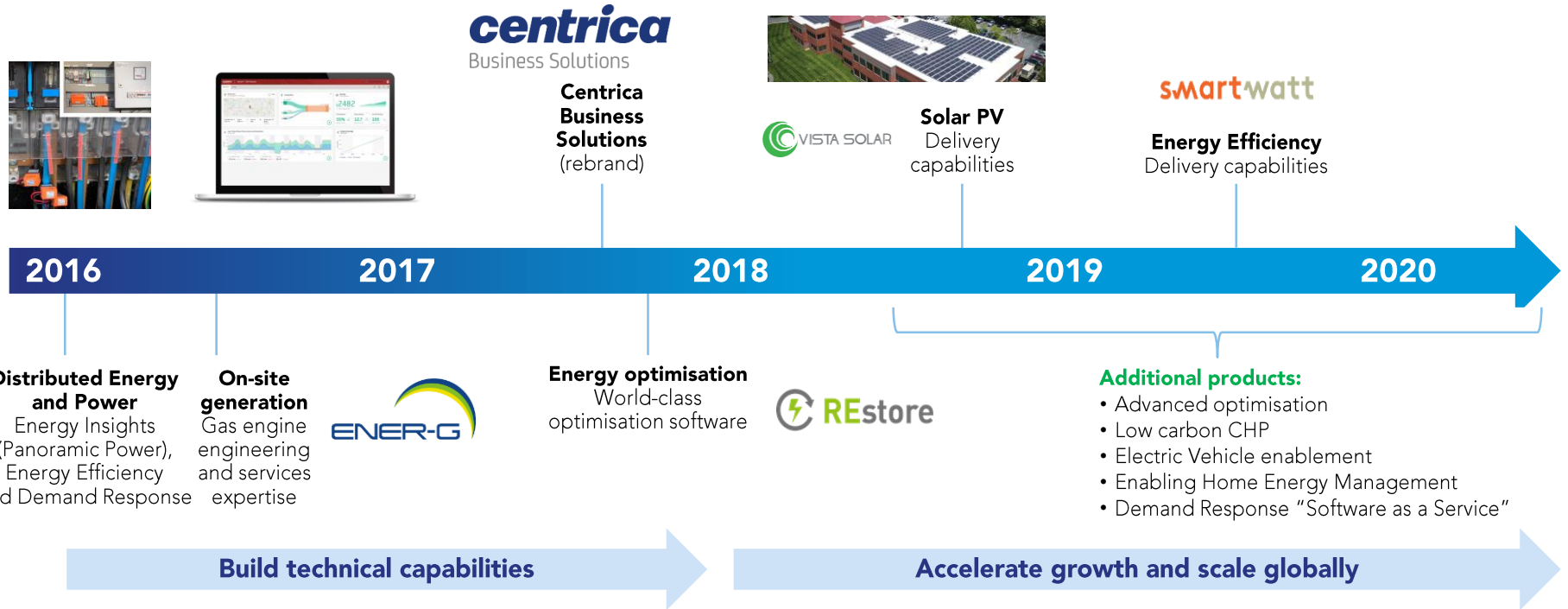
- Exited North America with focus now on the UK and Ireland
- Revenue up 10% and gross margin percentage up to 22%
- Average revenue per customer up 11%, subscriptions up 34% vs 2018
- Significant reduction in costs and investment
 - CHS headcount reduced by ~40% over H2 2019
 - Targeting ~£15m opex savings and ~£10m capex savings in 2020
- High NPS (+39); NPS of British Gas and Hive customer 20pts higher than British Gas only

Future progress

- Further proposition and cost synergies from closer integration of CHS and UK Home including through leveraging distinctive field force
- Propositions centred around Home Energy Management and Remote Diagnostics and Monitoring
- Further scaling of paying subscriptions and services
- Use of platforms to orchestrate wider range of Home Energy Management use cases
- Reduced 'device' focus, and further cost of sales efficiencies

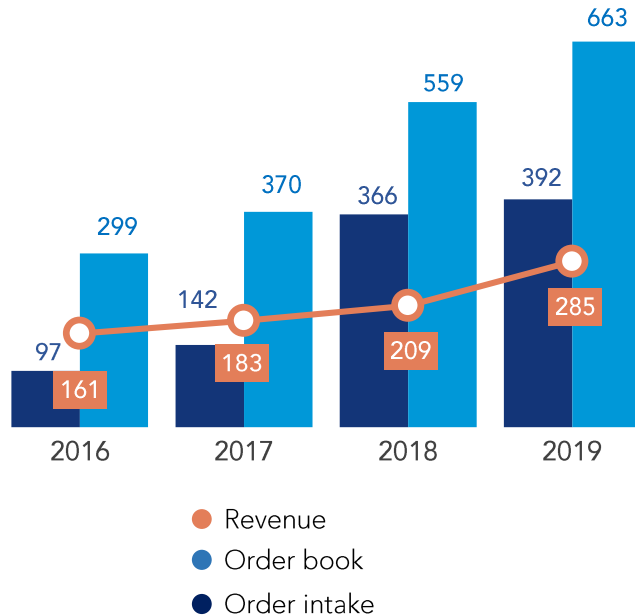
Business Solutions capabilities

Business – integrating capabilities to develop innovative customer propositions



Growing Centrica Business Solutions

Revenue, order intake and order book
(£m)



- Utilising distinctive capabilities
 - Integration of multiple technologies
 - Leverage existing customer base
 - Lower carbon solutions
- Further growth delivered in 2019
 - Revenue up 36% to £285m
 - Secured order book up 19%
- Positive outlook for 2020 and beyond
 - 2020 revenue growth supported by order book
 - ~70% of order book is recurring revenue
 - ~20% gross margins across the portfolio
 - Targeting EBITDA breakeven by 2021 and £1bn revenue by 2022

New York City Housing Authority

centrica
Business Solutions

Real-time system monitoring

PowerRadar

Dispatches generators to drive Demand Response (DR)

Coordinates DR events across buildings into a single entity

Maximises revenues with intelligent dispatch modeling

Optimisation Platform

Direct Energy
Supplies 7.4Bcf p.a.

Customer needs met

- Peace of mind, reliability and resilience
- Reduce management burden
- Greater visibility and control by remote real time monitoring

Benefit to Centrica

- Revenues from O&M contract and share of capacity optimisation
- DR and O&M delivery risk reduced due to real-time monitoring

Sends DR Event Message

Royal Devon and Exeter NHS Foundation Trust

Services provided

- LED lighting
- Solar PV
- HVAC
- CHP
- Boilers
- Demand Response

Customer needs met

- Improved efficiency
 - £800k guaranteed reduction in energy costs p.a.
 - 2,200 tonnes CO₂ reduction equivalent of 1,450 cars
- Modernisation of energy assets and covers backlog maintenance
- Future proofs site to allow Trust to take advantage of future DR revenues

Benefit to Centrica

- 15-year income stream to cover design, construction and operations and maintenance
- Partnership to identify future opportunities for decarbonisation of the estate

Energy Marketing & Trading activities

Servicing internal customers

- Large portfolio of customer demand and legacy asset positions
- Competitive advantage in UK market

Customer solutions

- ~14GW of assets under management in Europe for route to market services
- Volatility value capture in short-term markets

LNG

- Security of supply
- Web of hedged asset positions to capitalise on extrinsic value opportunities

Trading

- Portfolio of structural asset positions with optionality
- Strong track record in prop trading

Risk Capital

- Trading
- Other

~20%

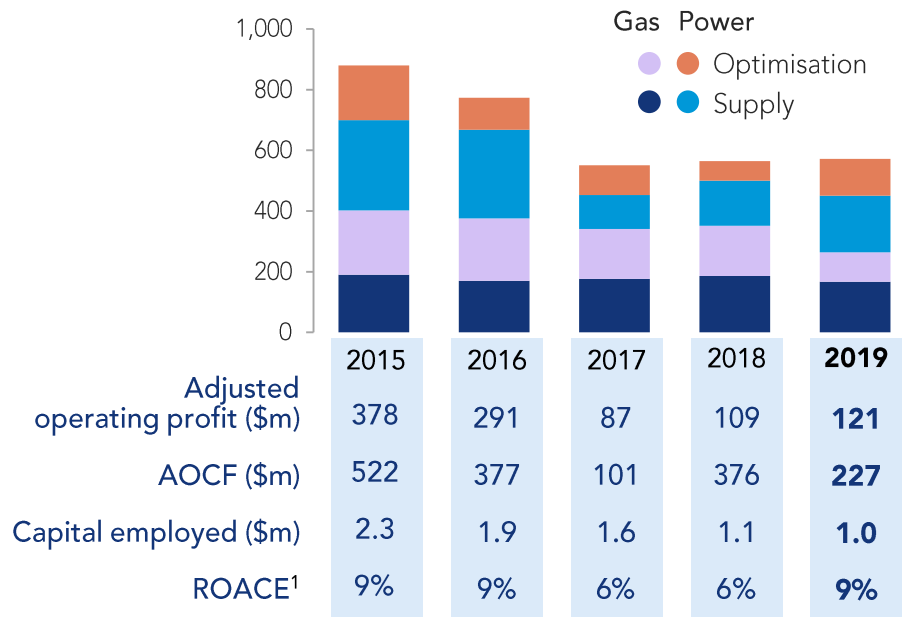
~80%



Improving returns in North America Business

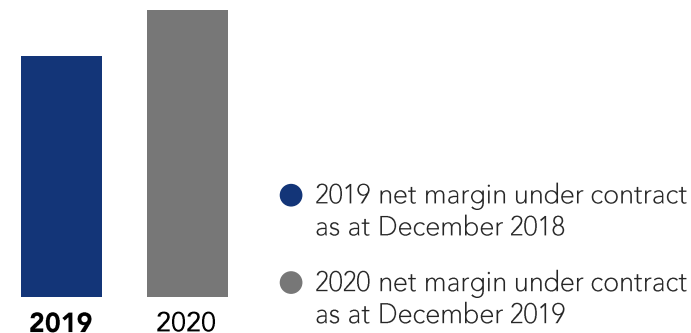
Full year gross margin 2015 - 2019

(\$m)



Forward net margin under contract

(\$m)



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

Key messages

- Stable year-on-year underlying operating profit, but financial performance and dividend impacted by commodity prices and regulatory intervention
- 2019 AOCF and net debt within target ranges, H2 adjusted EPS significantly improved vs H1 2019
- Consumer account growth and indicators of stabilisation in UK energy supply
- New propositions and improved customer experience enabling account growth, higher NPS and reduced churn
- New services and solutions capabilities to enable customer transition to a lower-carbon future
- Significant cost efficiency delivery and momentum into 2020 underpinned
- Progressing Strategic Update conclusions, including exit from E&P, re-focusing CHS and rebasing of UKH
- 2020 focus – growing customer relationships, efficiency delivery, building capability, and financial discipline
- 2020 outlook – Consumer and Business expected to deliver underlying earnings momentum, but recent weakness in commodity prices will impact E&P and Nuclear. 2020 AOCF expected to be in the range £1.6bn-£1.8bn based on 31 December 2019 prices. Sources and uses of cash to remain broadly balanced.

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

Disclaimer: Rules of thumb

The rules of thumb were provided in February 2020 based on the then current prevailing range of oil, 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.

Rules of thumb: E&P and Nuclear

Please refer to disclaimer on slide 53 of this presentation before using this information.

The table shows Centrica's profit after tax (PAT) and adjusted operating cash flow (AOCF) sensitivity to changes in commodity prices on a hedged basis for 2020 as at 6 January 2020

	Movement	2020 Earnings impact	2020 AOCF impact
Spirit Gas	5p/therm	~£11m	~£35m
Spirit Liquids	\$10/boe	~£12m	~£62m
CSL Gas	5p/therm	~£2m	~£3m
Baseload power	£5/MWh	~£14m	~£14m

Assumes all European gas is sold in the UK.

Sensitivities are based on 2020 Spirit production guidance, the midpoint of CSL 2020 guidance of 3-5mmboe for CSL and 2019 Nuclear production of 10.2 TWh.

Earnings impact assumes blended tax rates of Spirit Energy 60%, CSL 40% and UK nuclear 19%.

Revenue

Year ended 31 December (£m)	2018 ¹	2019	Δ
UK Home	8,392	8,260	(2%)
Ireland	907	897	(1%)
North America Home	2,533	2,754	9%
Centrica Home Solutions	67	74	10%
UK Business	1,857	2,065	11%
North America Business	8,820	8,115	(8%)
Centrica Business Solutions	209	285	36%
Energy Marketing & Trading	3,664	3,364	(8%)
Spirit	1,735	1,566	(10%)
Centrica Storage	386	226	(41%)
Nuclear	527	496	(6%)
Gross revenue	29,097	28,102	(3%)
Inter-group revenue	(1,716)	(1,277)	26%
Total Centrica	27,381	26,825	(2%)

1. The Group has amended the presentation of energy derivative contracts following an IFRIC agenda decision in March 2019 and a review of its trading businesses. Prior year results have been restated accordingly.

Adjusted gross margin

Year ended 31 December (£m)	2018	2019	Δ
UK Home	1,854	1,575	(15%)
Ireland	135	149	10%
North America Home	604	575	(5%)
Centrica Home Solutions	13	16	23%
Total Centrica Consumer	2,606	2,315	(11%)
UK Business	234	227	(3%)
North America Business	406	437	8%
Centrica Business Solutions	50	61	22%
Energy Marketing & Trading	192	305	59%
Total Centrica Business	882	1,030	17%
Spirit	521	385	(26%)
Centrica Storage	193	81	(58%)
Nuclear	50	41	(18%)
Total Upstream	765	507	(34%)
Total Centrica	4,253	3,852	(9%)

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

EBITDA

Year ended 31 December (£m)	2018	2019	Δ
UK Home	815	547	(33%)
Ireland	57	68	19%
North America Home	179	172	(3%)
Centrica Home Solutions	(67)	(64)	4%
Total Centrica Consumer	983	723	(26%)
UK Business	55	63	15%
North America Business	125	138	10%
Centrica Business Solutions	(59)	(38)	36%
Energy Marketing & Trading	47	199	323%
Total Centrica Business	168	362	115%
Spirit	927	793	(14%)
Centrica Storage	292	120	(59%)
Nuclear	43	30	(30%)
Total Upstream	1,262	943	(25%)
Other	34	90	165%
Total Centrica	2,447	2,119	(13%)

Adjusted operating profit

Year ended 31 December (£m)	2018	2019	Δ
UK Home	668	401	(40%)
Ireland	44	52	18%
North America Home	123	137	11%
Centrica Home Solutions	(85)	(84)	1%
Total Centrica Consumer	750	505	(33%)
UK Business	40	48	20%
North America Business	81	96	19%
Centrica Business Solutions	(81)	(68)	16%
Energy Marketing & Trading	35	141	303%
Total Centrica Business	75	217	189%
Spirit	337	90	(73%)
Centrica Storage	184	70	(62%)
Nuclear	46	19	(59%)
Total Upstream	567	179	(68%)
Total Centrica	1,392	901	(35%)

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

Adjusted operating cash flow

Year ended 31 December (£m)	2018	2019	Δ
UK Home	805	714	(11%)
Ireland	74	76	3%
North America Home	187	166	(11%)
Centrica Home Solutions	(47)	(43)	9%
Total Centrica Consumer	1,019	913	(10%)
UK Business	62	128	106%
North America Business	278	181	(35%)
Centrica Business Solutions	(61)	(54)	11%
Energy Marketing & Trading	(65)	27	Nm
Total Centrica Business	214	282	32%
Spirit	786	494	(37%)
Centrica Storage	178	93	(48%)
Nuclear	49	48	(2%)
Total Upstream	1,012	635	(37%)
Total Centrica	2,245	1,830	(18%)

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

Centrica Consumer

ADJUSTED OPERATING PROFIT / (LOSS)

Year ended 31 December (£m)	2018	2019	Δ
UK Home	668	401	(40%)
<i>Energy</i>	466	137	(71%)
<i>Services</i>	202	264	31%
Ireland	44	52	18%
North America Home	123	137	11%
<i>Energy</i>	135	145	7%
<i>Services</i>	(12)	(8)	33%
Centrica Home Solutions	(85)	(84)	1%
Centrica Consumer	750	505	(33%)

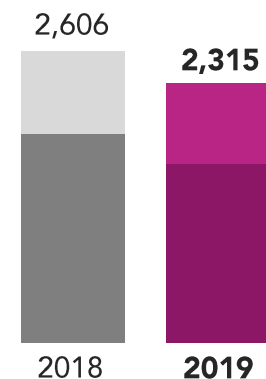
ADJUSTED OPERATING CASH FLOW

Centrica Consumer	1,019	913	(10%)
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ADJUSTED OPERATING PROFIT / (LOSS)

<i>Ireland (€m)</i>	50	60	20%
<i>North America Home (\$m)</i>	165	177	7%

Consumer gross margin (£m)



- 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 Preliminary Results announcement.

Centrica Business

ADJUSTED OPERATING PROFIT / (LOSS)

Year ended 31 December (£m)	2018	2019	Δ
UK Business	40	48	20%
North America Business	81	96	19%
Centrica Business Solutions	(81)	(68)	(16%)
Energy Marketing & Trading (EM&T)	35	141	303%
<i>Core EM&T activities</i>	87	138	57%
<i>Legacy gas contracts</i>	(53)	3	nm
Centrica Business	75	217	189%

ADJUSTED OPERATING CASH FLOW

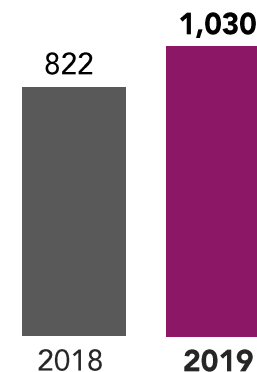
Centrica Business	214	282	32%
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ADJUSTED OPERATING PROFIT / (LOSS)

<i>North America Business (\$m)</i>	109	121	11%
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Business gross margin

(£m)



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 Preliminary Results announcement.

Upstream

ADJUSTED OPERATING PROFIT / (LOSS)

Year ended 31 December (£m)	2018	2019	Δ
Spirit	337	90	(73%)
CSL	184	70	(62%)
Nuclear	46	19	(59%)
Centrica Upstream	567	179	(68%)

ADJUSTED OPERATING CASH FLOW

Centrica Upstream	1,012	635	(37%)
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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 Preliminary Results announcement.

Upstream – Exploration & Production

E&P

Year ended 31 December (£m)	2018	2019	Δ
Gas and liquids realisations	1,977	1,610	(19%)
Adjusted operating profit	521	160	(69%)
Adjusted operating cash flow	963	587	(39%)
Free cash flow	483	141	(71%)

Average gas sales price (p/therm)

2018	49.3
2019	42.9

Average liquids sales price (£/boe)

2018	41.2
2019	44.1

Upstream production (mmboe)

2018	46.8	11.2
2019	45.8	6.5

- Spirit Energy
- CSL

Lifting & other cash production costs (£/boe)

2018	14.3
2019	15.2

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 64 to 65 in the Preliminary Results announcement.

Upstream– Nuclear

NUCLEAR

Year ended 31 December	2018	2019	Δ
Adjusted operating profit (£)	46	19	(59%)
Nuclear power generated (GWh)	11,820	10,199	(14%)
Achieved power price (£/MWh)	45.1	49.2	9%

Achieved power price (£/MWh)

2018	45.1
2019	49.2

Nuclear power generated (GWh)

2018	11,820
2019	10,199

- Other Power Stations
- Hunterston B and Dungeness

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 64 to 65 in the Preliminary Results announcement.

Net investment

Year ended 31 December (£m)	2018 ¹	2019
Centrica Consumer	223	143
Centrica Business ²	243	123
Upstream	497	480
Other ³	51	66
Capital expenditure (including small acquisitions)	1,014	812
Net disposals	(46)	(247)
Group net investment	968	565

1. Restated for changes in segmentation

2. 2018 includes North America Business bolt-on acquisitions.

3. Other includes Corporate Functions.

See pages 64 to 65 in the Preliminary Results announcement for an explanation of the use of adjusted performance measures.

Net debt

Year ended 31 December (£m)	2018	2019
Opening net debt	(2,596)	(2,656)
IFRS 16 impact ¹	0	(394)
Adjusted net cash inflow / (outflow)	(60)	(93)
Other movements in net debt	0	(38)
Closing net debt¹	(2,656)	(3,181)
Cash posted as collateral	(290)	(326)
Closing net debt excluding cash posted as collateral	(2,946)	(3,507)

1. 2018 Net Debt presented on like for like basis with 2019, includes an IFRS16 overlay of £394m. 2018 unadjusted reported closing net debt was £2,656m.

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 11(b) of the Preliminary Results announcement.

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.