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Centrica plc Interim Results

for the period ended 30 June 2021



Disclaimer

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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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Chris O'Shea
Group Chief Executive

Turnaround of Centrica continues

- Major transformation of Centrica continues
 - Focus remains on fixing the basics
- First half financial performance overall in line with expectations
 - Adjusted operating profit and EPS broadly flat vs 2020
 - Continuing robust free cash flow generation
 - Net debt down to <£100m
- Customer numbers down 2%
 - Competitive intensity in British Gas Energy
 - Customer service levels impacted by Covid-19 and industrial action in British Gas Services

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Kate Ringrose
Chief Financial Officer



Group earnings

Period ended 30 June (£m)	2020	2021	Δ
From continuing operations:			
Adjusted revenue	7,726	8,154	428
Adjusted gross margin	1,185	1,154	(31)
Adjusted operating costs	(919)	(856)	63
Adjusted operating profit ¹	264	262	(2)
Net finance cost	(124)	(96)	28
Group effective tax rate	41%	35%	(6ppt)
Adjusted earnings	90	98	8
Adjusted EPS – continuing	1.6p	1.7p	0.1p
<i>Adjusted EPS – discontinued</i>	<i>0.9p</i>	<i>0.0p</i>	<i>(0.9p)</i>
Adjusted EPS – total	2.5p	1.7p	(0.8p)
<hr/>			
<i>Exceptional items and certain remeasurements after tax & MI</i>	<i>(340)</i>	<i>1,253</i>	<i>1,593</i>
Statutory earnings	(193)	1,351	1,544
Statutory EPS	(3.3p)	23.2p	26.5p

1. Includes share of losses from JVs and associates, net of interest and taxation, of £2m in H1 2020 and £36m in H1 2021.



Operating profit

ADJUSTED OPERATING PROFIT

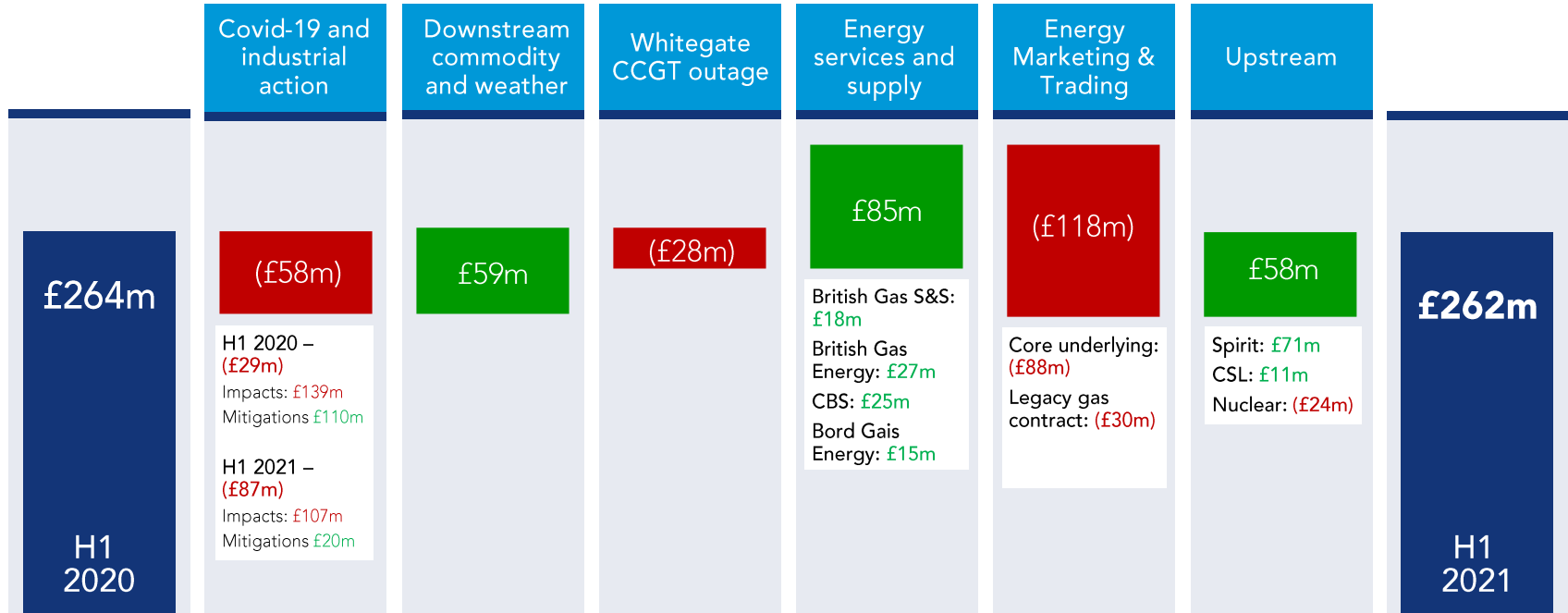
Period ended 30 June (£m)	2020	2021	Δ
British Gas Services & Solutions	94	60	(34)
British Gas Energy	78	172	94
Energy Marketing & Trading	111	(40)	(151)
<i>Core EM&T activities</i>	138	17	(121)
<i>Legacy gas contract</i>	(27)	(57)	(30)
Centrica Business Solutions	(67)	(24)	43
Bord Gáis Energy	29	19	(10)
Upstream	19	75	56
Total Continuing Operations	264	262	(2)
<i>Total Discontinued Operations</i>	79	0	(79)
Total Centrica	343	262	(81)

EXCEPTIONAL ITEMS AND STATUTORY PROFIT

Period ended 30 June (£m)	2021
Adjusted operating profit from cont. ops	262
Pre-tax exceptional items from cont. ops	373
<i>E&P asset write-backs</i>	366
<i>Restructuring provision release</i>	7
Pre-tax net re-measurements from cont. ops	368
Statutory operating profit from cont. ops	1,003
Profit on disposal of discontinued ops	597
Statutory operating profit	1,600

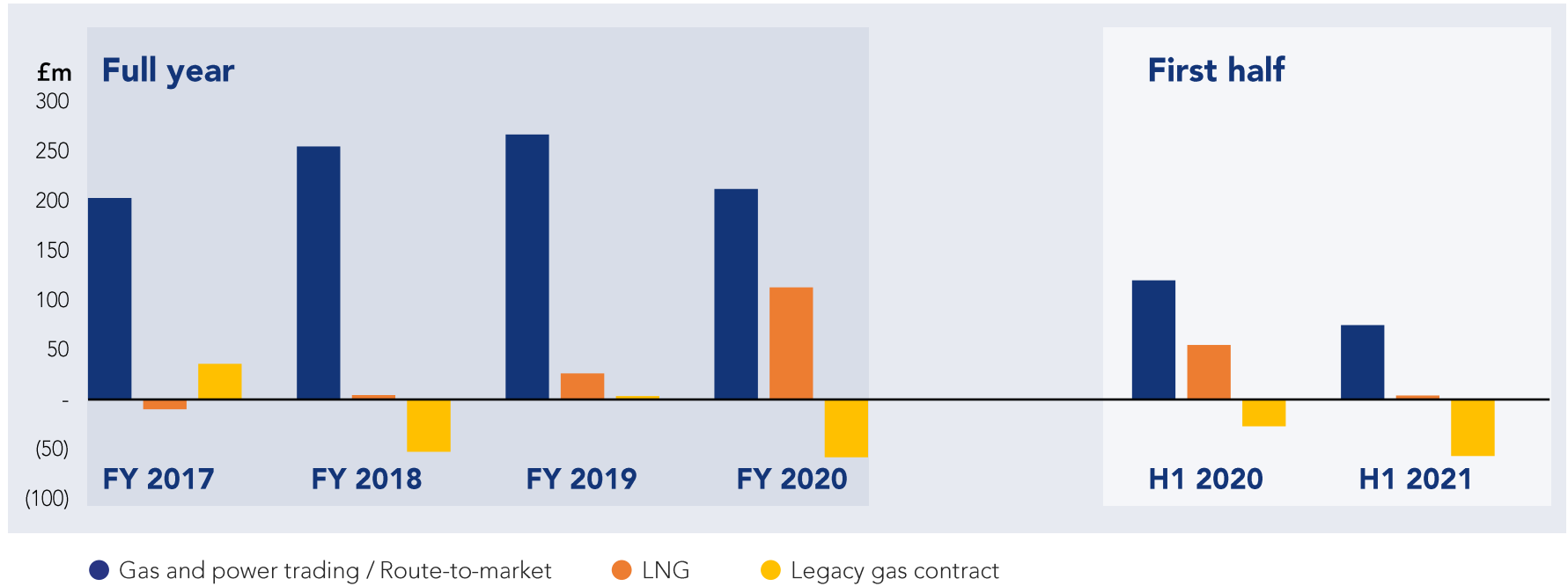
The above adjusted figures are before exceptional items and certain re-measurements. Adjusted operating profit includes share of joint ventures and associates after interest and taxation. A reconciliation of adjusted operating profit is provided in the Group Financial Review in the Interim Results announcement.

Adjusted operating profit drivers



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

Energy Marketing & Trading gross margin by activity



Robust cash flow generation and lower net debt

Period ended 30 June (£m)	2020	2021	Δ
EBITDA from continuing operations	750	682	(68)
Tax	(43)	41	
Dividends received	23	1	
Working capital / other	(1)	(3)	
Net investment	(175)	(149)	
<i>Capex plus small acquisitions</i>	<i>(285)</i>	<i>(187)</i>	
<i>Divestments¹</i>	<i>110</i>	<i>38</i>	
Exceptional cashflows	(50)	(48)	
Free cash flow from continuing ops	504	524	20
Free cash flow from discontinued ops	245	2,582	
Total free cash flow	749	3,106	2,357

Period ended 30 June (£m)	2020	2021
Free cash flow from continuing operations	504	524
Interest	(80)	(109)
Dividends – Centrica shareholders	-	-
Dividends – Spirit minority shareholders	-	-
Pension deficit payment	(76)	(243)
Movements in margin cash	56	129
Other financing cash flows affecting net debt	(1)	1
Adjusted cash flow affecting net debt – cont.	403	302
Adjusted cash flow affecting net debt – discount.	254	2,582
Adjusted cash flow affecting net debt – total	657	2,884

Opening net debt² (as at 1 January)	(3,507)	(2,998)
Adjusted cash flow movements	657	2,884
Non cash movements	(215)	21
Closing net debt	(3,065)	(93)

1. 2020 divestments largely Kings Lynn CCGT, 2021 largely former British Gas headquarters.

2. Net debt includes margin cash balances.

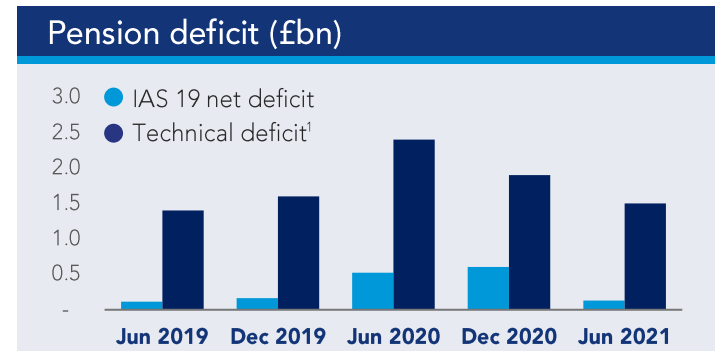
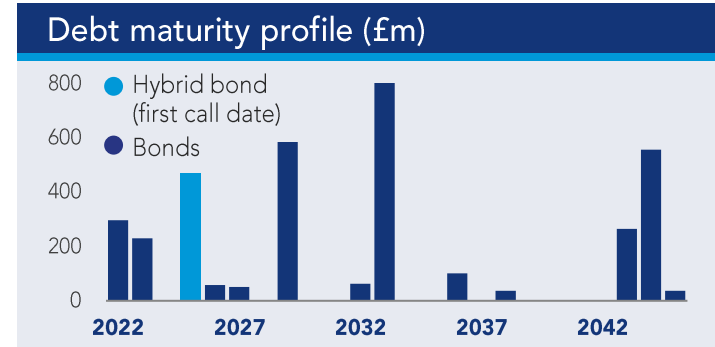
Balance sheet and pension deficit focus continues

Balance sheet

- Net debt significantly down to £0.1bn
- Continue to target maintaining investment grade credit ratings
- Redeemed €750m hybrid at first call date in April 2021

Pension deficit

- IAS 19 net pension deficit of £130m vs £601m at 31 Dec 2020
- Triennial pensions valuation discussions ongoing
 - Increase in real gilt rates since 31 Dec 2020
 - 15 month deadline from 31 Mar 2021 to agree valuation and contributions



1. On a pure roll-forward basis from 31 March 2018, using the same methodology and consequent assumptions, the scheme funding (Technical Provisions) deficit would be in the region of £1.5bn as at 30 June 2021. The 31 March 2021 triennial review is underway and the valuation methodology and assumptions may differ from those previously used.

Summary and outlook

- H1 financial performance in line with last year
- Full year modelling assumptions from Prelims still valid
 - Whitegate CCGT outage (up to £40m)
 - Higher ECO costs (~£80m)
 - Restructuring benefits including corporate cost removal (>£100m)
- Higher commodity prices beginning to benefit Upstream
 - E&P production volumes down 15%-20% and lower nuclear volumes
- Full year 2021 operating loss from legacy gas contract expected to be ~£100m
- Strong focus on free cash flow continues



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Chris O'Shea
Group Chief Executive

Progress made on Turnaround

Colleagues

- New modernised terms and conditions in place for UK colleagues
- Industrial dispute concluded with new collective agreements
- Started recruitment programme to build engineer capacity

Customers

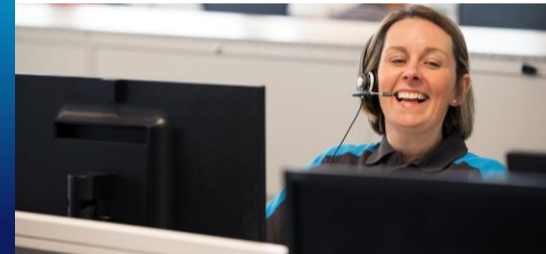
- New business unit structure and reduced layers embedded allowing more focus on customers
- Separation of UK energy supply and UK services and solutions into more focussed businesses

Cash

- Pursuing alternative Spirit Energy sale options to maximise value of assets and de-risk liabilities
- Further rationalisation of non-core assets
 - ~£50m proceeds from divestments of Peterborough site, Io-Tahoe and British Gas HQ

Modernising British Gas Energy

- Serving residential and small business customers
- British Gas Energy cost to serve down 7% over H1 2021
- 250k customers on flexible, lower cost 'software as a service' platform
- Modern and agile customer-focused ways of working
- Reduced time to bring propositions to market
- Controlled approach to migration

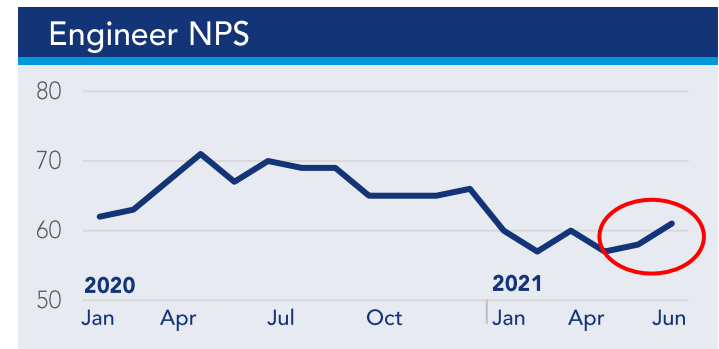


Modernising British Gas Services

- Largest energy services provider in the UK with 7,500 engineers and technicians
- Change essential to improve competitiveness and provide a better customer experience
- Committed to direct labour model
- Q1 2021 impacted by Covid-19 and industrial action
 - Signs of recovery in Q2
- Improvement plans in place for H2 2021
 - Continue reset of relationship with colleagues
 - Drive further recovery in customer service levels
 - Improve customer retention
- Sustainable platform from which to deliver growth



1. Service and Repair jobs completed per day



Net zero a significant opportunity for Centrica

- Largest services field force in the UK
- Creating new, highly skilled and well paid jobs
 - Recruiting 1,000 apprentices across 2021 and 2022
- Training academies a competitive advantage
- Expanding range of customer propositions for homes and businesses
 - EV charging, heat pumps, home energy management
- Nuclear a source of zero carbon power generation
- Reviewing option to repurpose Rough for hydrogen storage
- Adding to our 11GW of renewables route-to-market capacity
- Committed to achieving net zero by 2045



Creating a more sustainable and profitable company

- Major transformation of Centrica continues
- Simplifying the business to add long-term shareholder value
- Continuing focus on fixing the basics to benefit Centrica now and in the future
- Improving colleague engagement critical
 - Using Covid-19 learnings
 - Embedding a flexible approach to working
- Capital Markets Event to be held on 16 November 2021 to provide more detail on longer-term strategy and financial framework

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Appendix

H1 2020 adjusted operating profit

Period ended 30 June (£m)	2020 as reported	Small Business Energy ¹ & Business Services into British Gas	Metering ¹	Re-allocated corporate costs	2020 restated	New segments
Previous segments						
UK Home – energy	93	(6)	5	(14)	78	British Gas Energy
UK Home – services	136	(4)	(5)	(4)		
Centrica Home Solutions	(29)					
Total UKHS and CHS	107	(4)	(5)	(4)	94	British Gas Services & Solutions
Ireland	30			(1)	29	Bord Gáis Energy
Energy Marketing & Trading	115			(4)	111	Energy Marketing & Trading
UK Business	(39)	10		(4)		
Centrica Business Solutions	(34)					
Total UKB and CBS	(73)	10		(4)	(67)	Centrica Business Solutions
Upstream	19				19	Upstream
North America Home	99					
North America Business	(47)					
Total North America	52			27	79	Discontinued Operations
Group adjusted operating profit	343				343	

Figures may not add down due to rounding.
 1. New segmentation changes since Prelims 2020

Revenue

Period ended 30 June (£m)	2020 ¹	2021	Δ
Continuing Operations			
British Gas Services and Solutions	736	722	(2%)
British Gas Energy	3,710	3,840	4%
Energy Marketing & Trading	1,482	1,991	34%
Centrica Business Solutions	802	871	9%
Bord Gáis Energy	416	484	16%
Upstream	982	838	(15%)
Group Revenue included in business performance	8,128	8,746	8%
Discontinued Operations			
Direct Energy	4,795	—	nm
Gross revenue	12,923	8,746	(32%)
Inter-group revenue	(402)	(592)	47%
Total Centrica	12,521	8,154	(35%)

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

Adjusted gross margin

Period ended 30 June (£m)	2020 ¹	2021	Δ
Continuing Operations			
British Gas Services and Solutions	325	266	(18%)
British Gas Energy	497	530	7%
Energy Marketing & Trading	148	26	(82%)
Centrica Business Solutions	36	75	108%
Bord Gáis Energy	83	69	(17%)
Upstream	96	188	96%
Adjusted gross margin from continuing operations	1,185	1,154	(3%)
Discontinued Operations			
Direct Energy	396	—	nm
Total Group adjusted gross margin	1,581	1,154	(27%)

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

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

EBITDA

Period ended 30 June (£m)	2020 ¹	2021	Δ
Continuing Operations			
British Gas Services and Solutions	130	82	(37%)
British Gas Energy	125	220	76%
Energy Marketing & Trading	130	(14)	nm
Centrica Business Solutions	(42)	1	nm
Bord Gáis Energy	38	27	(29%)
Upstream	320	336	5%
Other	49	30	(39%)
EBITDA	750	682	(9%)
Discontinued Operations			
Direct Energy	119	—	nm
Total Group EBITDA	869	682	(22%)

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

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

Adjusted operating profit

Period ended 30 June (£m)	2020 ¹	2021	Δ
Continuing Operations			
British Gas Services and Solutions	94	60	(36%)
British Gas Energy	78	172	121%
Residential energy supply	83	158	90%
Business energy supply	(6)	13	nm
Energy Marketing & Trading	111	(40)	nm
Core EM&T activities	138	17	(88%)
Legacy gas contract	(27)	(57)	111%
Centrica Business Solutions	(67)	(24)	(64%)
Energy supply	(33)	3	nm
Solutions	(34)	(27)	(21%)
Bord Gáis Energy	29	19	(34%)
Upstream	19	75	295%
Spirit	33	104	215%
CSL	1	9	800%
Nuclear	(16)	(38)	138%
Adjusted operating profit	264	262	(1%)

Figures may not add down due to rounding.

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

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

1. Refer to slide 20 in appendix for a reconciliation of 2020 to prior segmentation.

Net investment

Period ended 30 June (£m)	2020 ¹	2021
Continuing Operations		
British Gas Services and Solutions	(10)	(16)
British Gas Energy	(21)	(13)
Energy Marketing & Trading	(4)	(3)
Centrica Business Solutions	(15)	(15)
Bord Gais Energy	(10)	(13)
Upstream	(202)	(122)
Other ²	(23)	(5)
Net Investment	(285)	(187)
Net Disposals ³	110	38
Continuing Net Investment	(175)	(149)
Discontinued Net Investment	(13)	2,582
Total Group Net Investment	(188)	2,433

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

2. Other includes Corporate Functions.

3. 2020 divestment includes Kings Lynn CCGT, 2021 includes sale of former British Gas headquarters

See pages 65 to 68 in the Interim Results announcement for an explanation of the use of adjusted performance measures.

Free cash flow

Period ended 30 June (£m)	2020 ¹	2021	Δ
Continuing Operations			
British Gas Services and Solutions	80	46	(43%)
British Gas Energy	(37)	(58)	57%
Energy Marketing & Trading	211	121	(43%)
Centrica Business Solutions	93	72	(23%)
Bord Gáis Energy	26	(7)	nm
Upstream	150	255	70%
Other	24	54	125%
Segmental free cash flow	547	483	(12%)
Discontinued Operations			
Direct Energy	251	2,582	929%
Group total free cash flow excluding tax	798	3,065	284%
Taxes paid from continuing operations	(43)	41	nm
Taxes paid from discontinuing operations	(6)	—	nm
Total Group adjusted free cash flow	749	3,106	315%
Less discontinuing operations free cash flow (including tax)	(245)	(2,582)	954%
Free cash flow from continuing operations	504	524	4%

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

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

Upstream – Exploration & Production

E&P

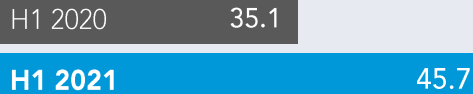
Period ended 30 June (£m)	2020 ¹	2021	Δ
Gas and liquids realisations	667	575	(14%)
Adjusted operating profit	34	113	232%
Free cash flow ¹	141	266	89%

Upstream production (mmboe)



● Spirit Energy CSL ●

Achieved gas sales price (p/therm)



Achieved liquids sales price (£/boe)



Lifting & other cash production costs (£/boe)



1. Segmental free cash flow, as per note 4(f) of the Interim Results announcement, excludes tax.

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

A reconciliation of adjusted operating profit and free cash flow is provided in the Group Financial Review and other adjusted performance measures are explained on pages 65 to 68 in the Interim Results announcement.

Upstream – Nuclear

NUCLEAR

Period ended 30 June (£m)	2020	2021	Δ
Adjusted operating profit (£)	(16)	(38)	138%
Nuclear power generated (GWh)	4,537	4,171	(8%)
Achieved power price (£/MWh)	53.0	46.5	(12%)

Achieved power price (£/MWh)

H1 2020	53.0
H1 2021	46.5

Power Generated Total (GWh)

H1 2020	4,537
H1 2021	4,171

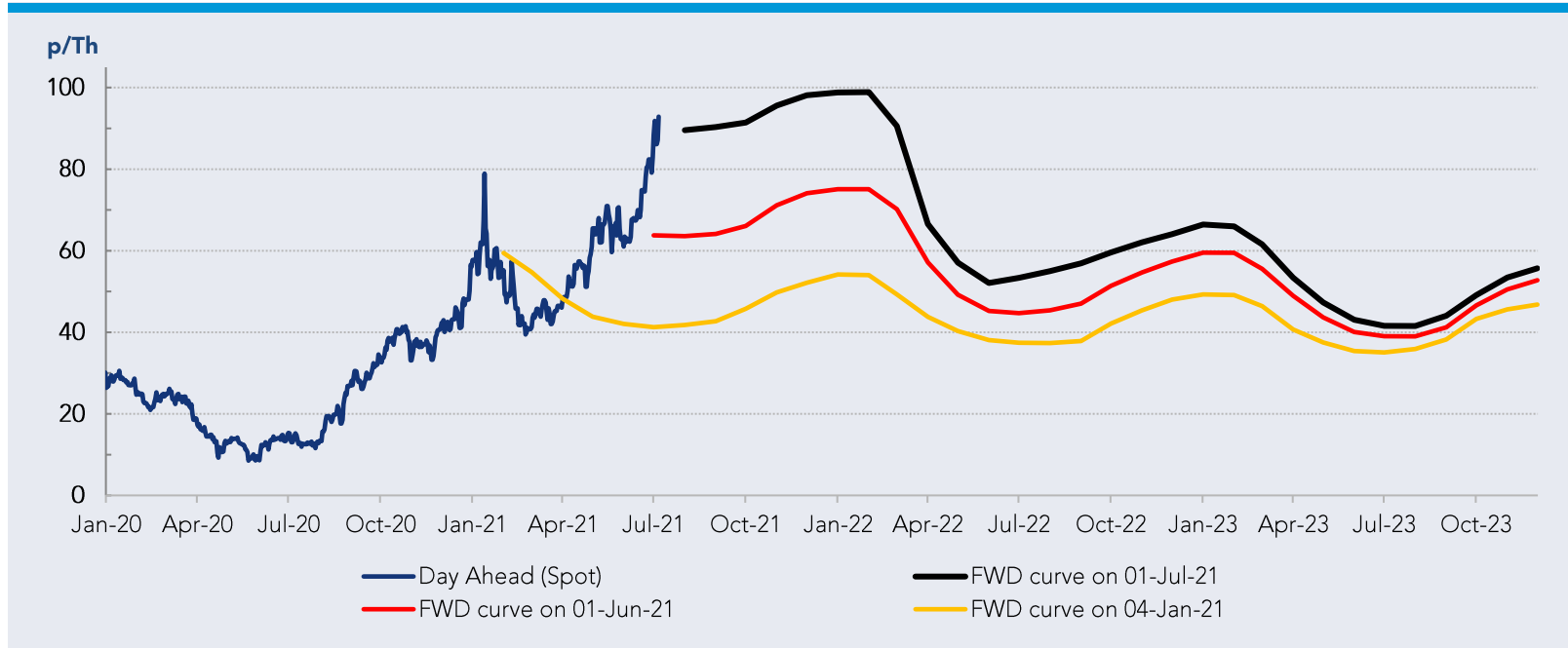
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Market commodity prices

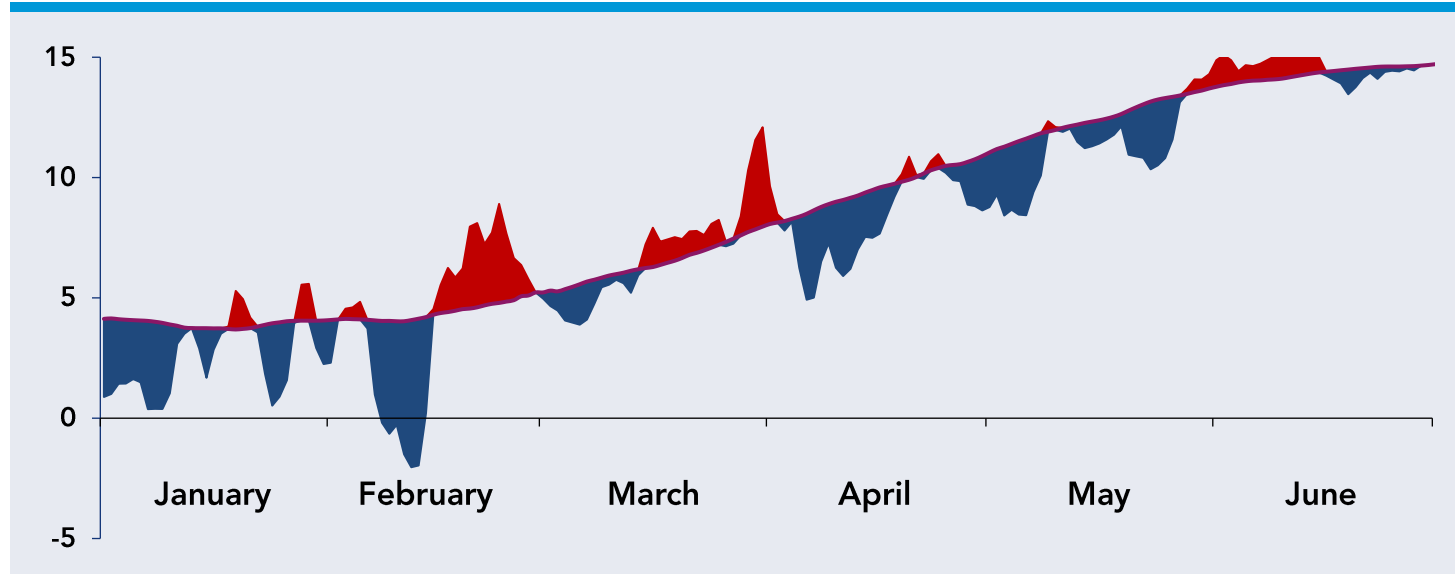


Brent oil, UK NBP gas and UK baseload power prices are month ahead prices as at 20 July 2021. Prices are calendar year averages of historic and forward prices.

NBP spot price & forward curve evolutions



UK weather chart vs seasonal norms



CDP and TCFD



- CDP is a global non-profit that drives companies and governments to reduce their greenhouse gas emissions, safeguard water resources and protect forests. It was voted the number one climate research provider by investors.
- CDP's annual environmental disclosure and scoring process is widely recognised as the gold standard of corporate environmental transparency, working with over 500 institutional investors with assets of US\$106 trillion.
- Centrica has retained the prestigious A rating in the Climate Change Submission.
- 273 worldwide gained a place in the 'A List' of the over 9,500 companies (making up over 50% of global market cap) who disclosed under Climate in 2020. The 'A list' comprises the world's most pioneering companies leading on environmental transparency and performance.
 - Only 20 companies from UK achieved an A grade.
 - Centrica is amongst the top 20 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.