

CENTRICA PLC PRELIMINARY RESULTS



for the year ended 31 December 2014 >

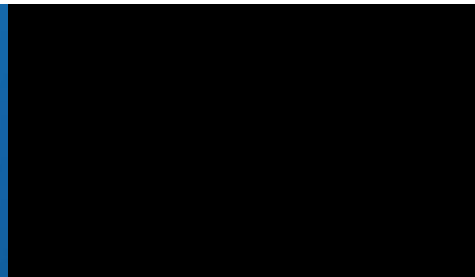


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This presentation contains certain forward-looking statements with respect to the financial condition, results, operations and businesses of Centrica plc. These statements and forecasts involve risk and uncertainty because they relate to events and 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.



IAIN CONN
Chief Executive

CENTRICA TEAM



Rick Haythornthwaite
Chairman



Iain Conn
Chief Executive



Jeff Bell
Interim Chief
Financial Officer



Jill Shedden
Group Director,
Human Resources



Mark Hanafin
Managing Director,
Centrica Energy



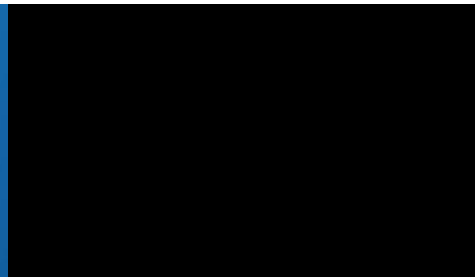
Ian Peters
Interim Managing
Director, British Gas



Badar Khan
President and CEO,
Direct Energy



Grant Dawson
Group General Counsel
& Company Secretary

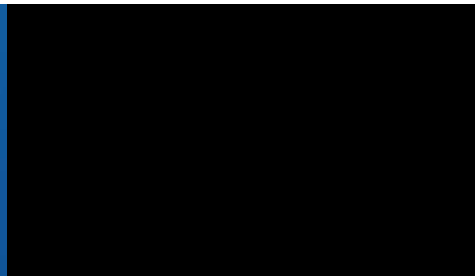


IAIN CONN
Chief Executive

2014 EARNINGS & RESPONSE

- Earnings down 30%; EPS of 19.2p
- Oil and gas prices and cash flow impact
- Cutting capex and opex
- Need for strong investment grade credit ratings
- Decision to rebase dividend by 30%
- Strategic review launched





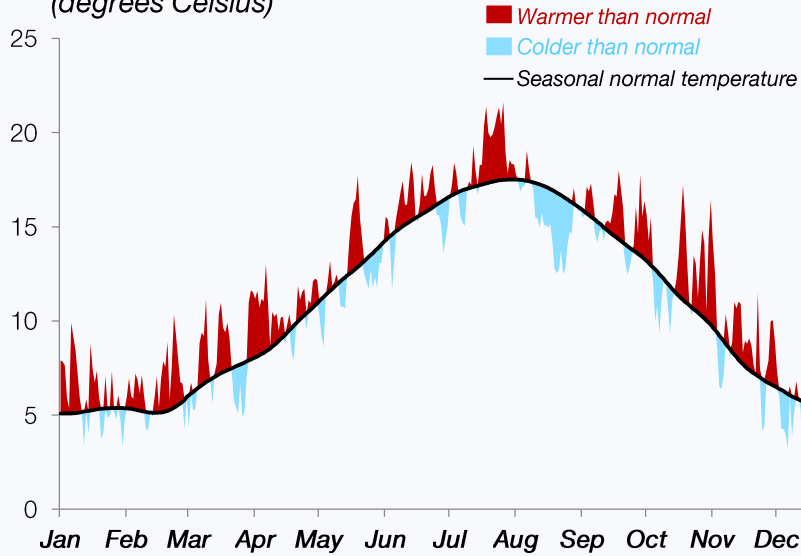
JEFF BELL

Interim Chief Financial Officer

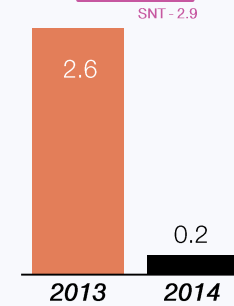
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WEATHER

2014 average UK temperature
(degrees Celsius)

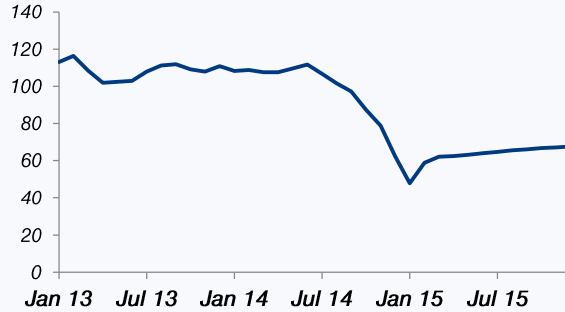


Average Q1 US North East
temperature
(degrees Celsius)

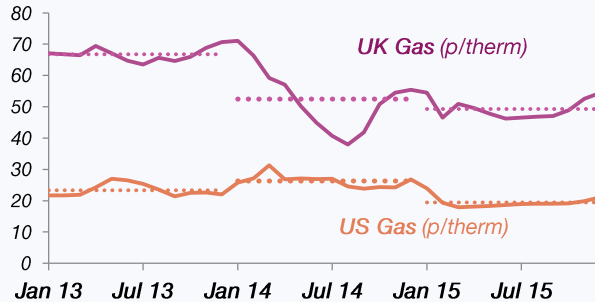


COMMODITY PRICES

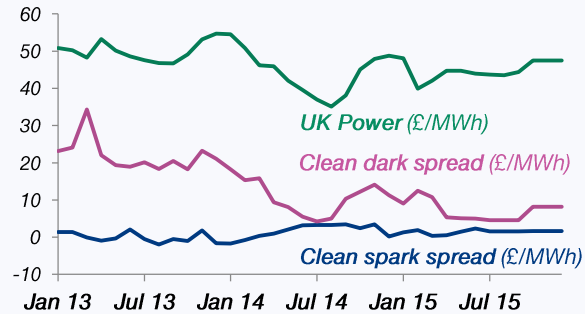
Average month ahead brent oil price (\$/boe)



Average month ahead gas prices



UK power prices and clean dark and clean spark spread



FINANCIAL HEADLINES

Year ended 31 December (£m)	2014	2013	Δ%
Revenue (£m)	29,408	26,571	11%
Adjusted operating profit (£m)	1,746	2,695	(35%)
Adjusted effective tax rate	30%	43%	(13ppt)
Group result:			
Adjusted earnings (£m)	962	1,370	(30%)
Adjusted earnings per share (p)	19.2	26.6	(28%)
Full year dividend per share (p)	13.5	17.0	(21%)

The above adjusted figures are before depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements. Adjusted operating profit also includes share of JVs and associates before interest and taxation

A definition of operating profit after taxation is included in note 5c of the preliminary financial statements

A definition of the effective tax rate is provided in the Group Financial Review in the Preliminary Results announcement



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EXCEPTIONAL ITEMS AND CERTAIN RE-MEASUREMENTS

Year ended 31 December (£m)	<i>Pre-tax</i>	<i>Post-tax</i>
E&P impairments ¹	(1,189)	(712)
UK power impairments ²	(749)	(673)
Profits on disposal ³	341	224
Total exceptional items	(1,597)	(1,161)
Total net re-measurements	(1,108)	(771)
Exceptional items and certain re-measurements	(2,705)	(1,932)

¹ Impairments of exploration and production assets, predominantly due to declining gas and oil prices

² Impairments of gas fired power stations and nuclear investment, reflecting declining forecast power prices, low clean spark spreads and capacity market auction prices

³ Profits on disposal of the Texas gas-fired power stations and the Ontario home services business



OPERATING PROFIT

Year ended 31 December (£m)	2014	2013	Δ%
British Gas	823	1,030	(20%)
Direct Energy	150	276	(46%)
Bord Gáis Energy	7	-	nm
Centrica Energy	737	1,326	(44%)
Centrica Storage	29	63	(54%)
Adjusted operating profit	1,746	2,695	(35%)
Share of JV / associates' interest and taxation	(100)	(111)	nm
Depreciation of FV uplifts to property, plant and equipment	(78)	(66)	nm
Group operating profit	1,568	2,518	(38%)



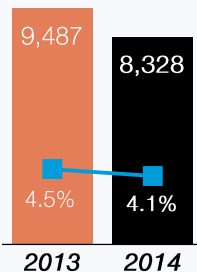
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BRITISH GAS

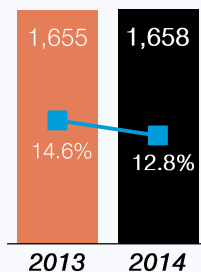
Operating profit (£m)

Year ended 31 December	2014	2013	Δ%
Residential energy	439	571	(23%)
Residential services	270	318	(15%)
Business	114	141	(19%)
British Gas	823	1,030	(20%)

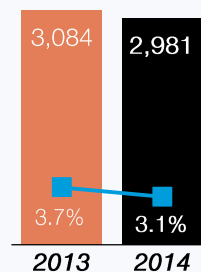
Residential energy revenue £m and post tax margin %



Residential services revenue £m and post tax margin %



Business revenue £m and post tax margin %

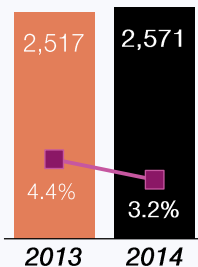


DIRECT ENERGY

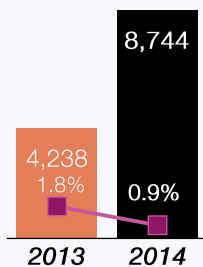
Operating profit (£m)

Year ended 31 December	2014	2013	Δ%
Residential energy (underlying)	122	163	(25%)
Business energy (underlying)	65	77	(16%)
Services	28	36	(22%)
Direct Energy (underlying)	215	276	(22%)
<i>Polar vortex impact</i>	(65)	-	nm
Direct Energy	150	276	(46%)

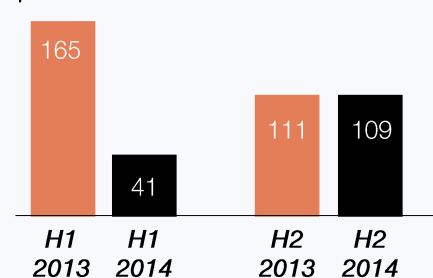
Residential energy revenue £m and post tax margin %



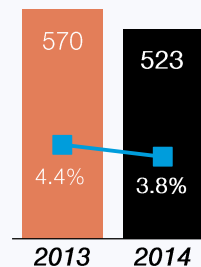
Business energy revenue £m and post tax margin %



Direct Energy operating profit £m



Services revenue £m and post tax margin %



The above operating profit figures include share of JVs and associates before interest and taxation and are before depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements. Residential energy and business energy underlying operating profit exclude one-off costs associated with the polar vortex. The business energy post tax margin (%) excludes the impact of amortisation of customer intangibles resulting from the acquisition of the energy marketing business of Hess and one-off costs associated with the polar vortex. 2014 Business Energy includes a full year impact from the Hess Energy Marketing acquisition, completed in November 2013.



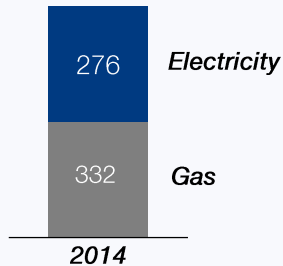
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BORD GÁIS ENERGY

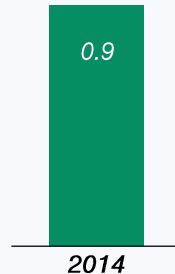
Operating profit (£m)

Year ended 31 December (£m)	2014	2013	Δ%
British Gas	823	1,030	(20%)
Direct Energy	150	276	(46%)
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Centrica Energy	737	1,326	(44%)
Centrica Storage	29	63	(54%)
Adjusted operating profit	1,746	2,695	(35%)

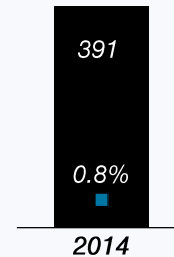
Residential customer Numbers '000



Generation TWh



Revenue £m and post tax margin %

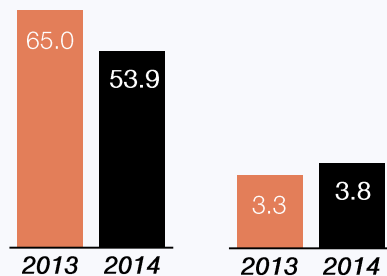


CENTRICA ENERGY - GAS

Year ended 31 December (£m)	2014	2013	Δ%
Operating profit before tax	606	1,155	(48%)
Operating profit after tax	302	325	(7%)

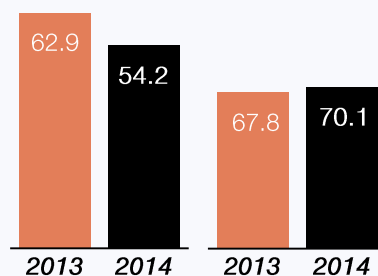
Average gas sales price

Europe p/therm Americas
US\$/mmbtu



Average liquids sales price

Europe £/boe Americas US\$/boe



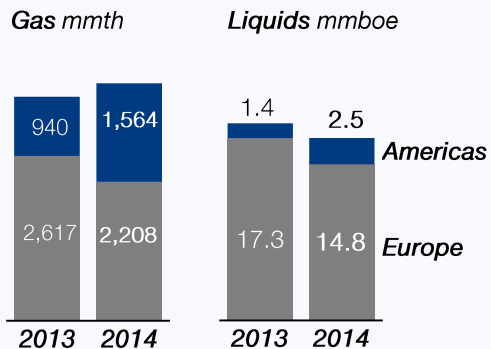
The above operating profit figures include share of JVs and associates before interest and taxation and are before depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements. A definition of operating profit after taxation is included in note 5c of the preliminary financial statements.



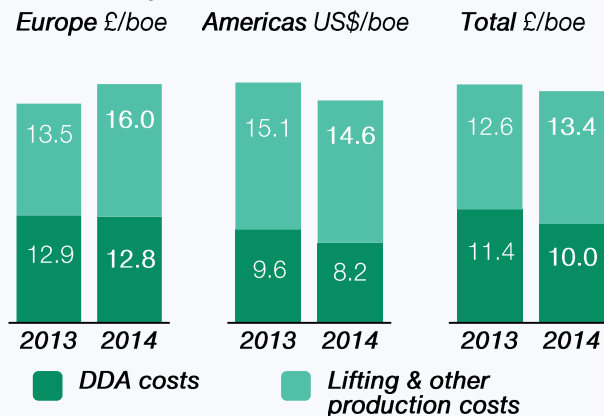
CENTRICA ENERGY - E&P VOLUMES AND COSTS

Year ended 31 December (£m)	2014	2013	Δ%
Operating profit before tax	606	1,155	(48%)
Operating profit after tax	302	325	(7%)

Production volumes¹



Total unit production costs



1. Production volumes include 100% share of Canadian assets owned in partnership with QPI

The above operating profit figures include share of JVs and associates before interest and taxation and are before depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements. A definition of operating profit after taxation is included in note 5c of the preliminary financial statements.

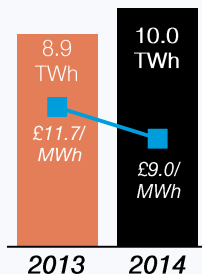


CENTRICA ENERGY - POWER

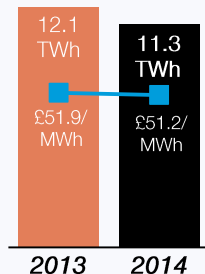
Operating profit (£m)

Year ended 31 December (£m)	2014	2013	Δ%
Gas-fired	(120)	(133)	nm
Renewables	10	25	(60%)
Nuclear	210	250	(16%)
Midstream	31	29	7%
Power	131	171	(23%)

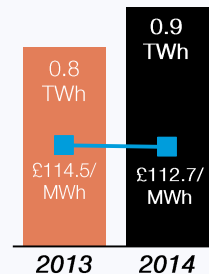
Gas-fired generation TWh & achieved clean spark spread



Nuclear generation TWh & achieved prices



Renewables generation TWh & achieved prices



The above operating profit figures include share of JVs and associates before interest and taxation and are before depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements. Renewables includes a net loss of £11m in 2013 and £17m in 2014 relating to profit / loss on disposal and write-downs.

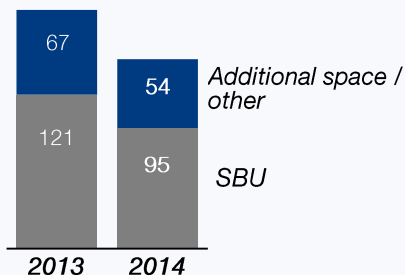


CENTRICA STORAGE

Operating profit (£m)

Year ended 31 December (£m)	2014	2013	Δ%
British Gas	823	1,030	(20%)
Direct Energy	150	276	(46%)
Bord Gáis Energy	7	-	nm
Centrica Energy	737	1,326	(44%)
Centrica Storage	29	63	(54%)
Adjusted operating profit	1,746	2,695	(35%)

Storage revenue £m



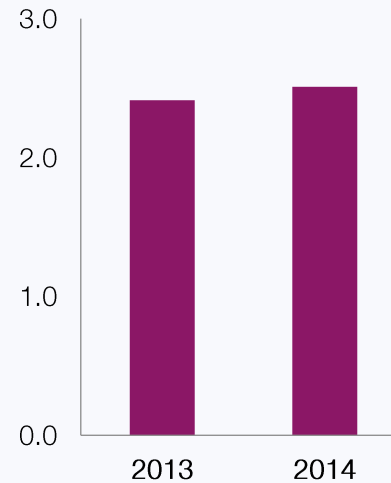
Forward seasonal gas spreads p/therm



GROUP OPERATING COSTS

- Cash operating costs up 4% year on year
 - Hess, Bord Gáis acquisitions
 - underlying costs broadly flat
- Cost initiatives
 - \$100m DE programme delivered
 - £100m BGB programme by 2016
- Additional cost opportunities identified

Centrica cash operating costs (£bn)



NET INVESTMENT

Period ended 31 December (£m)	2014	2013	2015e ⁴
Centrica Energy gas and oil	1,086	1,078	800
Centrica Energy power ¹	76	77	25
British Gas	177	204	125
Centrica Storage	28	50	25
Direct Energy	105	89	75
Other	10	38	0
Total pre-acquisitions	1,482	1,536	1,050
Acquisitions / (disposals)	(653) ²	1,029 ³	
Net investment	829	2,565	

1. Centrica Energy Power includes investments in wind farm JVs

2. Acquisitions / disposals in 2014 include the acquisitions of Bord Gáis Energy and Astrum Solar and the disposals of the Texas gas-fired power stations and the Ontario home services business. For further detail on acquisition and disposals see note 15 of the preliminary financial statements

3. Acquisitions / disposals in 2013 include the acquisition of Hess' Energy Marketing business and the acquisition of gas and oil assets in Canada from Suncor

4. Latest guidance for 2015



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CASH FLOW

Year ended 31 December (£m)	2014	2013
Opening net debt	(5,049)	(4,047)
EBITDA	2,811	3,799
Working capital movements	(37)	237
Margin cash movement ¹	(640)	82
Interest and tax	(968)	(1,111)
Net investment	(829)	(2,565)
Dividends	(864)	(862)
Share repurchase	(420)	(500)
FX / Other	24	(82)
Closing net debt excluding margin cash posted	(5,972)	(5,049)
Margin cash posted ¹	776	107
Closing net debt²	(5,196)	(4,942)

1. Margin cash is posted when contracts with marginable counterparties are out of the money. As a net procurer in energy the fall in commodity prices at the end of 2014 resulted in significant out of the money energy contracts which required £640m of collateral to be posted during the year.

2. Net debt has been restated to include cash posted or received as collateral under margin and collateral agreements, to more accurately reflect management's view of net debt. The items to which the cash posted as collateral relate are not included within net debt. For further details see note 11 of the preliminary financial statements.



CREDIT METRICS

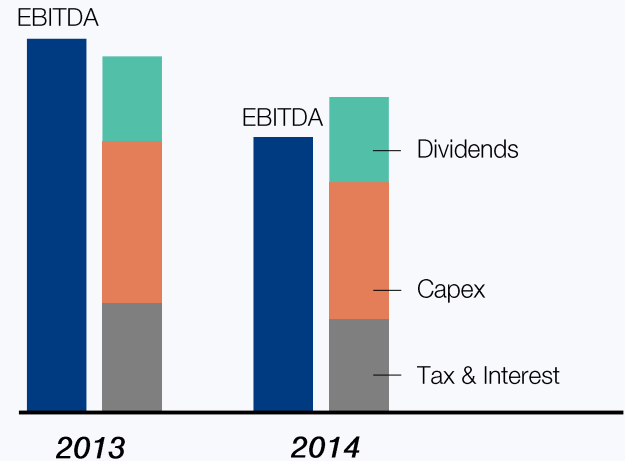
Year ended 31 December	2014	2013
EBITDA	2,811	3,799
Funds from operations (FFO)	2,518	2,922
Retained cash flow (RCF)	1,472	1,993
Net debt	(5,196)	(4,942)
S&P's adjusted debt	(6,026)	(5,878)
Moody's adjusted debt	(6,686)	(6,537)
FFO / adjusted debt (S&P)	42%	50%
RCF / adjusted debt (Moody's)	22%	30%



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UNDERLYING SOURCES AND USES OF CASH

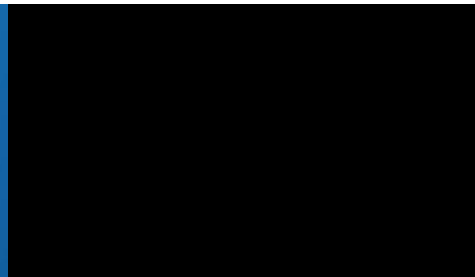
- Low commodity prices will place additional pressure on EBITDA post 2014
- Remedial actions being taken
 - 40% reduction in E&P capex by 2016
 - additional cost improvement
- Scrip alternative to be implemented
- Rebasing of dividend
 - delivers financial metrics for strong investment grade credit rating
 - balances sources and uses
 - ensures a sustainable payout ratio



SUMMARY AND FINANCIAL OUTLOOK

- 2014 earnings down 30%
- 2015 earnings expected to be lower than 2014
 - growth in customer facing businesses more than offset by the impact of lower commodity prices upstream
- Dividend rebased by 30%; 2014 full year dividend of 13.5p





IAIN CONN
Chief Executive

ENERGY TRENDS

- Primary energy demand growth
- Falling energy intensity
- Divergence of CO₂ from energy growth
- Energy efficiency; Natural gas; Nuclear; Renewables
- Changing customer expectations



CENTRICA WELL PLACED

- Focused on serving customers
- Diverse energy portfolio
- Providing energy security
- Positioning for energy trends



UK, Ireland and North Sea

24m customer accounts
420bcf gas / 40TWh power sales volume
140mboe/d production; 398mboe 2P reserves



North America

4m customer accounts
816bcf gas / 116TWh power sales volume
78mboe/d production; 187mboe 2P reserves

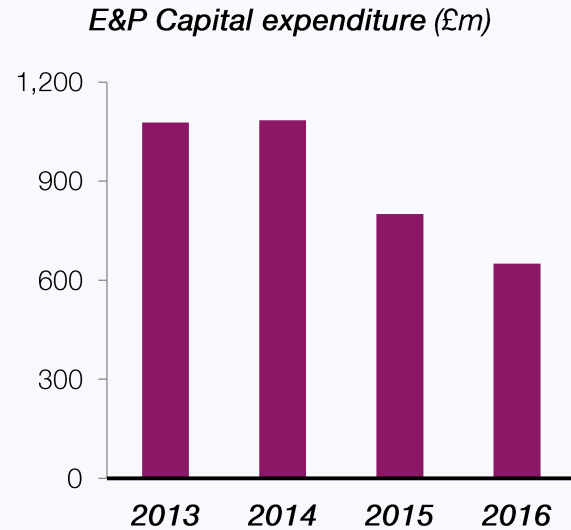


Midstream positions

£47bn of energy supply commitments across the Group
US midstream positions along the value chain
US gas export contract with Cheniere commencing in 2018

BUSINESS RESPONSE – UPSTREAM

- Reducing E&P capex by 40%
- Reducing cash costs by 10%
- Upstream broadly free cash flow neutral over 2015 and 2016
- Closing Brigg and Killingholme power stations

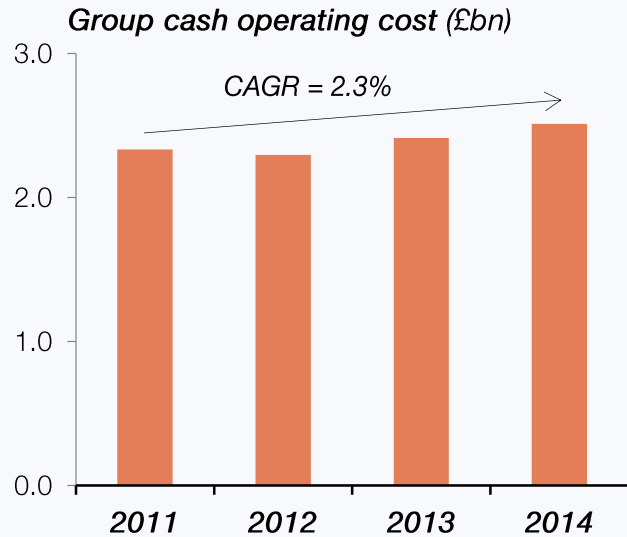


BUSINESS RESPONSE – DOWNSTREAM

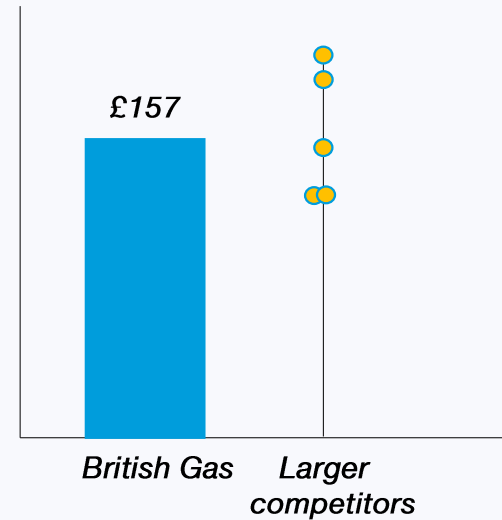
- Serve our customers competitively and with integrity
- Price cuts in British Gas and Bord Gáis
- Continued focus on improving service levels
- Close attention to cost to serve



BUSINESS RESPONSE - GROUP & DOWNSTREAM COSTS



UK energy supply indirect cost per average dual fuel account



Source: 2013 Ofgem Consolidated Segmental Statements

CONNECTED HOMES

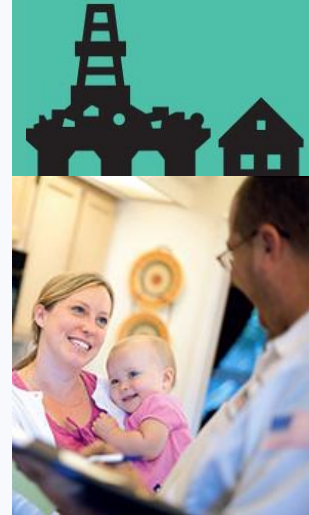
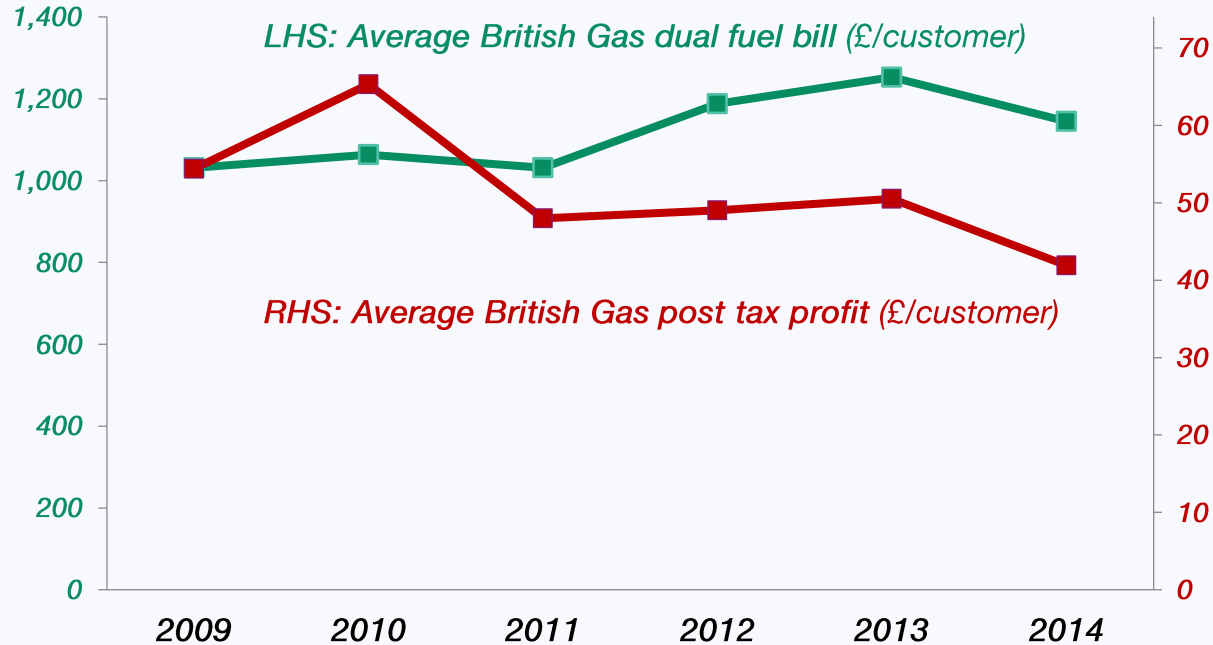


Q1 DELIVERY AND MILESTONES

- Return to more normal weather patterns
- Valemon field on stream 3 January 2015
- Morecambe 30 year anniversary
- CMA investigation and hearing
- Price cuts in British Gas and Bord Gáis

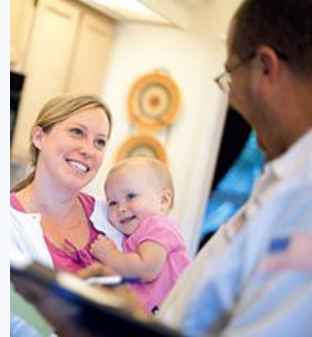


BRITISH GAS HOUSEHOLD BILLS AND PROFITS



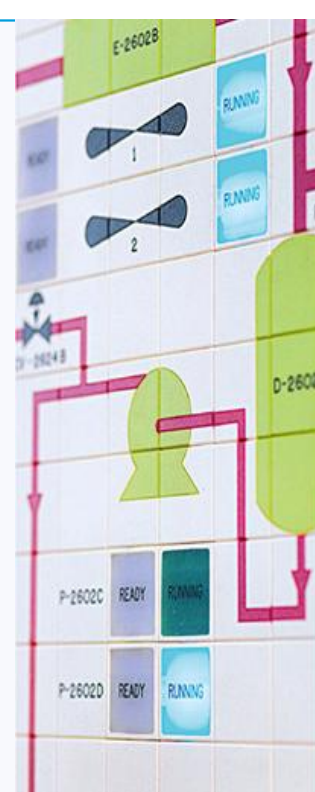
STRATEGIC REVIEW

- Outlook and sources of growth
- Portfolio mix and capital intensity
- Operating capability and efficiency
- Group financial framework



SUMMARY

- 2014 a difficult year for Centrica
- Expect 2015 earnings to be lower than 2014
- Taking action now on capital and costs
- Strategic review to be concluded by July 2015
- Decision to rebase the dividend
- Strong capabilities and positions for the long term



Q&A



Iain Conn
Chief Executive



Jeff Bell
Interim Chief
Financial Officer



Mark Hanafin
Managing Director,
Centrica Energy



Ian Peters
Interim Managing
Director, British Gas