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FOR IMMEDIATE RELEASE

24 July 2020

Centrica plc

Proposed sale of Direct Energy for \$3.625 billion to NRG Energy

Centrica plc (“Centrica” or the “Company” or the “Group”) today announces that it has entered into an agreement to sell its North American energy supply, services and trading business, Direct Energy, to NRG Energy, Inc. (“NRG Energy”) for \$3.625 billion in cash (equivalent to approximately £2.85 billion) on a debt free, cash free basis (the “Transaction”).

Transaction headlines

- Attractive valuation for Direct Energy, representing an EV to 2019 Underlying Adjusted EBITDA multiple of 7.9x
- Increases the long term strength of the Group’s balance sheet with Net Cash Proceeds intended to be used to reduce net debt significantly and to make a material contribution to the Group’s defined benefit pension schemes
- Alongside the significant restructure announced in June 2020, creates a simpler and leaner energy services and solutions company, focused on delivering for its customers and enabling the transition to a lower carbon future
- Centrica to focus on its core home markets of the U.K. and Ireland, where it has leading market positions
- More predictable and stable cash flows from the remaining Group
- The Transaction is conditional upon agreement by Centrica’s shareholders and various other approvals, including regulatory approvals, and is expected to complete in the fourth quarter of 2020
- Centrica’s Board considers the Transaction to be in the best interests of Centrica and its shareholders

Chris O’Shea, Group Chief Executive of Centrica, said:

“The transaction provides Centrica with an opportunity to realise significant value for our shareholders at an attractive valuation. This disposal is aligned to our strategy to become a simpler, leaner business and in addition it will materially strengthen our balance sheet and remove a source of earnings volatility from the Group. Combined with our focus on completing our intended exits from Spirit Energy and Nuclear at the appropriate time, this is expected to lead to a more predictable and high-quality earnings stream moving forward.

Direct Energy is a strong business with a great team. I believe NRG will be an owner who will invest in the business and make it even better. The remaining Company will be an energy services and solutions company, helping customers to transition to a lower carbon future, focused on the U.K. and Ireland where we have leading market positions. Alongside our recently announced organisational restructure, which puts the customer at the heart of everything we do and accelerates the delivery of targeted cost savings, this transaction is a fundamental step in the turnaround of Centrica and will leave us well placed to deliver for both customers and shareholders.”

Centrica will host a conference call at 9am U.K. time on 24 July 2020 to discuss the Transaction and its Interim results, which were also released today.

To register for the conference call please visit:

https://webcasts.centrica.com/centrica109/vip_connect

If you would like to join in listen only mode, please register by visiting:

<https://webcasts.centrica.com/centrica109>

The Transaction constitutes a Class 1 transaction for Centrica under the Listing Rules and completion of the Transaction is therefore conditional on, inter alia, the approval of Centrica’s shareholders at a general meeting of the Company’s shareholders. A circular containing details of the Transaction and a notice convening a general meeting of the Company will be sent to Centrica’s shareholders as soon as practicable, with the general meeting expected to be held in mid-August. This summary should be read in conjunction with the full text of this announcement. This announcement is available at www.centrica.com.

The person responsible for arranging the release of this announcement on behalf of the Company is Justine Campbell, the Company Secretary.

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Centrica plc (“Centrica” or “the Company”) proposed sale of Direct Energy

Introduction

Centrica is pleased to announce that it has entered into an agreement to sell its North American energy supply, services and trading business, Direct Energy, to NRG Energy, Inc (“NRG Energy”) for \$3.625 billion in cash (equivalent to approximately £2.85 billion) on a debt free, cash free basis (the “Transaction”).

A circular containing further details of the Transaction, together with a notice to convene a general meeting (“General Meeting”), will be sent to shareholders as soon as practicable. The General Meeting is expected to be held in mid-August.

Background to and reasons for the Transaction

Since Centrica’s entry into North America in 2000, Direct Energy has been a valuable and strategically important part of the Centrica Group (the “Group”). However, having received a highly compelling unsolicited offer from NRG Energy to acquire Direct Energy, Centrica entered into a limited period of exclusive negotiations with NRG Energy to explore further the basis for a transaction. The Centrica board (“Board”) believes the resulting Transaction at the agreed price of \$3.625 billion (equivalent to approximately £2.85 billion) is an attractive value for Direct Energy, representing a multiple of 7.9x 2019 Underlying Adjusted EBITDA of \$457 million. The Board therefore unanimously agreed that the Transaction is in the best interests of shareholders and other stakeholders as a whole.

The Transaction enables Centrica to simplify further its business, which, alongside its plans announced in June 2020 for a significant restructure and a revised operating model, will create a simpler, leaner Group focused on delivering for its customers. Following completion, Centrica will primarily be a U.K. and Ireland focused energy services and solutions company with a large customer base and attractive market positions.

This simplification of the Group is expected to allow Centrica to deliver high quality customer service and a more competitive cost base, to enable growth from its core energy and services offerings and from targeted opportunities in related, newer low-carbon services and solutions. The Group’s strategy remains to exit its 69% shareholding in the Spirit Energy oil and gas exploration and production business and its minority interest in the U.K.’s Nuclear fleet, to create a wholly customer focused company.

The Transaction is also expected to result in a more stable financial profile for the Group, with an increased proportion of its cash flows generated from contracted services, and removal of volatility that is inherent within Direct Energy Business. The Transaction will allow Centrica to strengthen its balance sheet through a significant reduction in net debt and a material contribution to the Group’s U.K. defined benefit pension schemes (“Pension Schemes”). The Board remains committed to maintaining a level of net debt that is commensurate with the cash flow generation of the Group and maintaining corporate investment grade credit ratings.

It is expected the Transaction will have a dilutive effect on earnings per share. However, the Board believes that the Company’s simplified and more stable financial profile will result in greater predictability of earnings with the ability to generate attractive profits and operating cash flows. The Group’s intention is to re-commence dividends for shareholders when it is prudent to do so.

Key terms of the Transaction

Centrica will, on the terms and subject to the conditions in the purchase agreement entered into with NRG Energy (“Purchase Agreement”), sell to NRG Energy the shares in the entities comprising Direct Energy.

Centrica will, on completion (subject to customary adjustments to reflect the cash and debt being transferred as part of Direct Energy and a customary working capital adjustment mechanism) receive \$3.625 billion in cash (equivalent to approximately £2.85 billion).

The Transaction is conditional on, among other things, Centrica's shareholders passing a vote on a resolution approving the Transaction ("Resolution") by a simple majority at the General Meeting as required under the Listing Rules, and receipt of certain antitrust and regulatory approvals in the U.S. and Canada. Centrica and NRG Energy have, subject to certain exceptions, agreed to use a "reasonable best efforts" standard to obtain the antitrust and regulatory conditions, including committing to make required divestments within specific parameters.

Centrica has agreed to pay NRG Energy a termination fee of approximately \$30 million if the Transaction fails to complete as a result of (i) the Purchase Agreement automatically terminating upon the Board modifying or withdrawing its recommendation that Centrica shareholders approve the Transaction, (ii) Centrica validly terminating the Purchase Agreement in order to enter into a definitive agreement for an alternative superior transaction prior to the passing of the Resolution at the General Meeting or (iii) either Centrica or NRG Energy terminating the Purchase Agreement upon the Resolution failing to be approved by Centrica's shareholders at the General Meeting.

Centrica has agreed that it will not solicit any proposals from a third party to acquire the Direct Energy business. However, Centrica is permitted, prior to the Resolution being passed at the General Meeting, to engage with third parties in relation to any unsolicited proposal which the Board determines, in good faith, constitutes or is reasonably likely to lead to a superior transaction to the Transaction.

NRG Energy has agreed to pay Centrica a termination fee of \$180 million if the Transaction fails to complete as a result of (i) either Centrica or NRG Energy terminating the Purchase Agreement upon the Transaction failing to complete by 24 July 2021 (or such later date as may be extended pursuant to the Purchase Agreement) solely as a result of one or more conditions relating to the receipt of specified antitrust or regulatory approvals not having been satisfied or waived, (ii) either Centrica or NRG Energy terminating the Purchase Agreement as a result of a final judgment of a governmental entity issued with respect to specified antitrust or other review laws that permanently restricts the Transaction from proceeding to completion, (iii) NRG Energy terminating the Purchase Agreement as a result of a final judgment of a governmental entity being issued or a law being enacted that imposes a burdensome condition in connection with specified antitrust or other review laws, or (iv) Centrica terminating the Purchase Agreement as a result of NRG Energy failing to use its "reasonable best efforts" to satisfy the antitrust and regulatory conditions with respect to specified antitrust or regulatory approvals.

NRG Energy has obtained representation and warranty insurance which, following completion, will be the sole recourse for any claim in respect of the representations and warranties given by Centrica in the Purchase Agreement, subject to limited exceptions.

In addition, Centrica and NRG Energy have agreed to cooperate to finalise the terms of a transition services agreement to be entered into at completion pursuant to which Centrica will provide or procure the provision of certain services relating to Direct Energy. Centrica will retain the North American operations of Centrica Business Solutions and Direct Energy will provide or procure provision of certain services relating to Centrica Business Solutions for a transitional period following completion while separation is taking place.

Use of proceeds

The net cash proceeds arising from the Transaction are expected to be approximately £2.7 billion after adjustment for estimated debt-like items of approximately £0.1 billion and estimated transaction costs,

including taxation costs of restructuring prior to disposal, of approximately £0.1 billion (the “Net Cash Proceeds”). Centrica will retain cash generated by Direct Energy between signing and completion.

The Board intends to use the Net Cash Proceeds to make a significant reduction in net debt and to make a material contribution to the Group’s Pension Schemes.

The Board remains committed to maintaining a strong balance sheet and liquidity position with no material covenants on any of the Group’s existing debt. In addition, the Board intends to ensure that Centrica has a level of net debt commensurate with the cash flow generation of the Group and with maintaining corporate investment grade credit ratings, which will allow Centrica to efficiently procure energy and secure collateral lines to support its core businesses, as well as providing access to cost effective, short term sources of liquidity.

Centrica expects that the Net Cash Proceeds applied to reduce net debt will initially be held as cash on Centrica’s balance sheet. However, the Company intends to carry out a liability management exercise post-completion, which may allow Centrica to reduce its interest charge by opportunistically retiring gross debt in a value accretive way.

The trustees of the Pension Schemes have agreed to relinquish the security currently held over the U.S. holding company of the Direct Energy group. In return, on completion of the Transaction, Centrica has agreed to pay an amount of up to £240 million in respect of previously deferred payments, procure the posting of letters of credit in the amount of £745 million and pay £250 million into an escrow account secured in favour of the Pension Schemes.

Discussions with the trustees of the Pension Schemes are continuing regarding a contribution to the Pension Schemes from the Net Cash Proceeds. Pending the conclusion of these discussions, Centrica has agreed not to make any distributions to shareholders in excess of its cumulative free cash flows or to prepay any external financial indebtedness before its scheduled repayment date in an amount exceeding £150 million (subject to certain permitted exceptions).

The latest actuarial valuation for the Pension Schemes as at 31 March 2018, agreed with the Pension Trustees during 2019, was a technical provisions deficit of £1.4 billion. On a pure roll-forward basis from 31 March 2018, using the same methodology and assumptions, the technical provisions deficit would be around £2.4 billion as at 30 June 2020.

The strengthened balance sheet resulting from the reduction in net debt and the contribution to the Pension Scheme, and the cash flows generated by the retained Group are expected to result in an attractive proposition for Centrica’s stakeholders, with the potential for growth in earnings and operating cash flows. The Board also recognises the importance of dividends to shareholders and intends to recommence dividends when it is prudent to do so.

Summary information on Centrica and future strategy

The Group’s focus is on being an energy services and solutions company, focused on satisfying the changing needs of its customers and enabling the transition to a lower carbon future. Centrica has previously announced its intention to exit from its oil and gas exploration and production and Nuclear activities, an intention that remains though the Board is mindful that market conditions may not currently be conducive to realising appropriate value for these businesses.

Centrica announced plans for a significant restructure of the Group's operating model in June 2020, designed to create a simpler, leaner Group focused on delivering for its customers.

This revised operating model is expected to accelerate the delivery of the Group's targeted annualised cost savings of £1 billion between 2019 and 2022, with the majority of the remaining restructuring expected to take place in the second half of 2020. It is planned to lead to a reduction of around 5,000 roles across the Group, with over half of the departures expected to come from management layers. The large majority of the remaining restructuring is expected to take place in the U.K., and therefore delivery of the cost savings is not anticipated to be materially impacted by the Transaction.

These organisational changes are expected to allow Centrica to deliver high quality customer service and a more competitive cost base, and to enable growth from its core energy and services offerings and from targeted opportunities in related newer low-carbon services and solutions.

Following completion of the Transaction, Centrica will primarily be a U.K. and Ireland focused company. The ongoing organisational restructure will result in fewer customer-facing business units, focussing on the Group's strengths of energy supply and its optimisation, and on services and solutions, with a continued strong focus on delivering high levels of customer service and cost-efficient operations.

- In the U.K., British Gas is the largest energy supplier to households, the largest provider of contract energy services, and the largest installer of boilers and smart thermostats. It has 9.2 million customers across its U.K. residential businesses.
- In Ireland, Bord Gáis is the largest gas supplier and the second largest energy supplier overall with 0.5 million customers.
- Centrica Business Solutions provides energy insight and solutions and optimisation services such as demand response to customers internationally. The United States is one of the most important markets in the world for the distributed energy solutions provided by Centrica Business Solutions, and will remain a focus area for growth. Centrica Business Solutions also supplies energy to business customers in the U.K.
- Centrica Energy Marketing & Trading is the trading and optimisation arm of Centrica. It is responsible for managing commodity risk and providing wholesale market access for Centrica. It also trades energy and commodities, provides route-to-market services to third-party asset owners across Europe, and has global positions in LNG.

Other businesses

- As announced previously, consistent with Centrica's strategic focus on energy services and solutions, Centrica's interests in Spirit Energy and Nuclear (comprising a 20% interest in EDF Energy's operating U.K. nuclear power generation fleet) are no longer seen as strategically core and Centrica has announced its intention to divest these interests. Both processes are currently paused, with the Group intending to restart the Spirit Energy process when financial and commodity markets have settled.

The Board believes that the Company's simplified and more stable financial profile resulting from the reorganisation and the Transaction will result in an attractive earnings and cash flow stream. The Group intends to recommence dividends to shareholders when it is prudent to do so.

Expected timetable to Completion

A shareholder circular containing further details of the Transaction, the Board's recommendation, and the notice of the General Meeting and the Resolution required to approve the Transaction will be sent to Centrica's shareholders as soon as practicable, with the General Meeting expected to be held in mid-August 2020. Completion is expected to occur in the fourth quarter of 2020.

Transaction Advisers

Goldman Sachs and Robey Warshaw are acting as joint lead financial advisers and Cravath, Swaine & Moore LLP and Slaughter and May are acting as legal advisers to Centrica in connection with the Transaction. Goldman Sachs also provided corporate broking advice and UBS also provided financial and corporate broking advice to Centrica.

Notes to Editors:

Information on Direct Energy

Direct Energy is one of North America's largest retail providers of electricity, natural gas and home and business energy-related services. Direct Energy is headquartered in Houston, Texas, with regional offices across the U.S. and Canada.

Direct Energy comprises two business units:

- **Direct Energy Home:** Supplies competitive and reliable energy and provides home services to customers in North America. Direct Energy Home is one of North America's largest energy retailers with more than 3.3 million residential customers. Direct Energy Home also offers customers whole home warranties and system-level protection plans with Home Warranty of America and Direct Energy Protection Plans. Direct Energy Home's other residential brands include CPL Retail Energy, WTU Retail Energy, First Choice Power, Gateway Energy, Bounce Energy, Airtron and America's Water Heater Rentals. Direct Energy Home currently operates in all 50 states in the U.S. and one Canadian province; and
- **Direct Energy Business:** Supplies competitive and reliable electricity and natural gas and energy services to retail and wholesale customers across North America. Direct Energy Business is one of the largest commercial and industrial retail energy providers in North America, serving around 160,000 retail customers across almost 500,000 locations. Direct Energy Business delivered approximately 81TWh of power and approximately 775Bcf of gas to retail customers in 2019. Direct Energy Business is a leading natural gas and power wholesale provider in North America, with significant trading and optimisation positions, a large contracted asset base and established long-term customer relationships. Direct Energy Business currently operates in 27 states in the U.S. and 6 Canadian provinces.

In the financial year ended 31 December 2019, Direct Energy contributed Adjusted Operating Profit of £221 million (\$282 million) and Profit for the year of £105 million (\$134 million) to the Group. As at 30 June 2020, Direct Energy reported gross assets of £4.0 billion. Key individuals of Direct Energy are John Schultz (President, Direct Energy and Direct Energy Business), Bruce Stewart (President, Direct Energy Home), Thomas Smith (Executive Vice President and General Counsel), Stuart Phillips (Chief Financial Officer, Direct Energy Business) and Dana Mason (Chief Financial Officer, Direct Energy Home). Further financial information will be set out in the circular.

Information on NRG Energy

NRG Energy is an integrated power company, generating electricity and providing energy and related services to residential, industrial and commercial customers through various brands and sales channels across the U.S. and Canada. NRG Energy serves approximately 3.7 million customers, making it one of the largest competitive energy retailers in the U.S. NRG Energy owns a diversified power generation portfolio with approximately 23,000 MW of fossil fuel, nuclear and renewable generation capacity at 32 plants.

For the year ending 31 December 2019, NRG Energy reported income from continuing operating activities of \$4.1 billion and cash flows from continuing operating activities of \$1.4 billion. The financial information set out in this paragraph has been extracted without material adjustment from NRG Energy's audited consolidated financial statements for the year ended 31 December 2019.

Forward-looking statements

This announcement includes statements that are, or may be deemed to be, forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms anticipates, believes, could, estimates, expects, intends, may, plans, projects, should or will, or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions.

These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this announcement and include, but are not limited to, statements regarding Centrica plc and its intentions, beliefs or current expectations concerning, among other things, the business, results of operations, prospects, growth and strategies of the Group and Direct Energy.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of operations of the Group or Direct Energy, and the developments in the industries in which they operate, may differ materially from those described in, or suggested by, the forward-looking statements contained in this announcement. In addition, even if the results of operations of the Group, or Direct Energy and the developments in the industries in which they operate are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, industry trends, competition, changes in law and regulation, currency fluctuations, changes in business strategy and political and economic uncertainty.

Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in this announcement reflect Centrica plc's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group and its operations, results of operations and growth strategy.

Other than in accordance with its legal or regulatory obligations (including under the Listing Rules, the Disclosure Guidance and Transparency Rules and the Prospectus Rules), Centrica plc is not under any obligation and Centrica plc expressly disclaims any intention or obligation (to the maximum extent

permitted by law) to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Non-IFRS measures

Centrica's directors and management believe that reporting adjusted measures provides additional useful information on business performance and underlying trends. These measures are not defined terms under IFRS and may not be comparable with similarly titled measures reported by other companies.

In the ordinary course of the Group's reporting, Centrica's directors and management use "Adjusted Operating Profit" to evaluate segment performance. Adjusted Operating Profit is defined as operating profit before exceptional items and certain derivative re-measurements.

In addition, this announcement also makes reference to "Underlying Adjusted EBITDA". Direct Energy's Underlying Adjusted EBITDA has been calculated by taking Direct Energy's Adjusted Operating Profit for the year ended 31 December 2019 and adding back (i) an amount of central overhead costs allocated to Direct Energy in the year ended 31 December 2019, (ii) an amount of bonus accruals subsequently cancelled in July 2020 and not paid and (iii) an amount of depreciation and amortisation taken into account in calculating the operating costs of Direct Energy.

Full details explaining how these measures have been calculated and reconciled to the historical financial information prepared in respect of Direct Energy for the purpose of the Transaction will be set out in the circular that Centrica will issue in due course.

Exchange rates

Throughout this announcement, unless otherwise stated, the USD to GBP exchange rate used in this document is as derived from Eikon on the latest practicable date prior to this announcement, being \$1.27 to £1.00. For Direct Energy's 2019 income statement financials, the USD to GBP exchange rate used is the average over 2019, being \$1.28 to £1.00.

No profit forecasts or estimates

Unless otherwise stated, no statement in this announcement is intended as a profit forecast or estimate for any period and no statement in this announcement should be interpreted to mean that earnings, earnings per share or income, cash flow from operations or free cash flow for the Group or Direct Energy, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings, earnings per share or income, cash flow from operations or free cash flow for the Group or Direct Energy as appropriate.

No offer or solicitation

This announcement is not a circular or a prospectus and is not intended to, and does not constitute or form part of any offer or invitation to purchase, acquire, subscribe for, sell, dispose of or issue, or any solicitation of any offer to sell, dispose of, purchase, acquire or subscribe for, any security. Centrica's shareholders are advised to read carefully the circular that Centrica will publish in due course.

Inside information

This announcement contains inside information as defined in Article 7 of Regulation (EU) No 596/2014.

Important information relating to financial advisers

Goldman Sachs International ("Goldman Sachs"), which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting exclusively as sponsor and joint lead financial adviser to Centrica and for no one else in connection with the Transaction and will not be responsible to anyone other than Centrica for providing the protections afforded to clients of Goldman Sachs or for providing advice in relation to the Transaction, the contents of this announcement or any transaction, arrangement or other matter referred to in this announcement.

Robey Warshaw LLP ("Robey Warshaw"), which is authorised and regulated in the U.K. by the FCA, is acting as joint lead financial adviser exclusively for Centrica and no one else in connection with the Transaction and will not be responsible to anyone other than Centrica for providing the protections afforded to clients of Robey Warshaw, nor for providing advice in relation to the Transaction or any other matters or arrangements referred to in this announcement.

UBS AG London Branch ("UBS") is authorised and regulated by the Financial Market Supervisory Authority in Switzerland. It is authorised by the Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority in the United Kingdom. UBS provided financial and corporate broking advice to Centrica and no one else in connection with the Transaction. In connection with such matters, UBS will not regard any other person as its client, nor will it be responsible to any other person for providing the protections afforded to its clients or for providing advice in relation to the Transaction, the contents of this announcement or any other matter referred to herein.

Responsibility

This announcement has been issued by, and is the sole responsibility of, Centrica. No representation or warranty express or implied, is or will be made as to or in relation to, and no responsibility or liability is or will be accepted by Goldman Sachs, Robey Warshaw, UBS, nor by any of their respective affiliates or agents as to or in relation to, the accuracy or completeness of this announcement or any other written or oral information made available to or publicly available to any interested party or its advisers and any liability therefore is expressly disclaimed.