Preliminary Results

for the year ended
31 December 2013

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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.

Unless otherwise stated all reported figures include share of JVs and associates after interest and taxation (except adjusted operating profit which includes 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.

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Rick Haythornthwaite

Chairman

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Sam Laidlaw

Chief Executive

Overview

- Robust actions in a challenging environment
  - service level improvements and cost reduction downstream
  - cost efficiency and tight capital allocation upstream
- New platforms for long term growth
  - Sabine Pass LNG, Canadian E&P, Hess Energy Marketing, innovation in downstream
- Political engagement to restore investor confidence

Nick Luff

Group Finance Director

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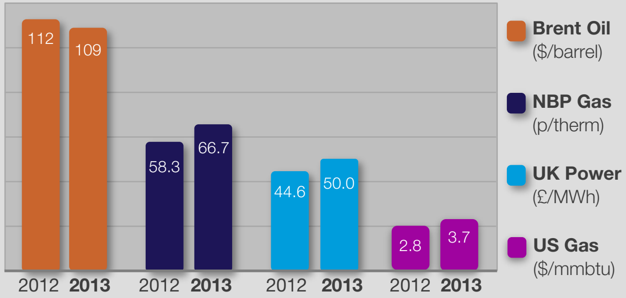
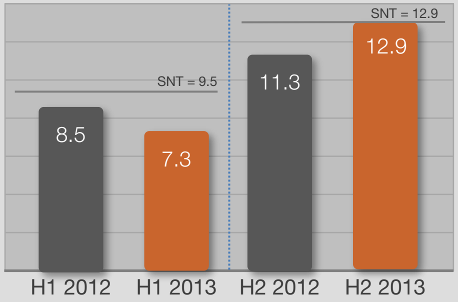
Commodity prices and spreads

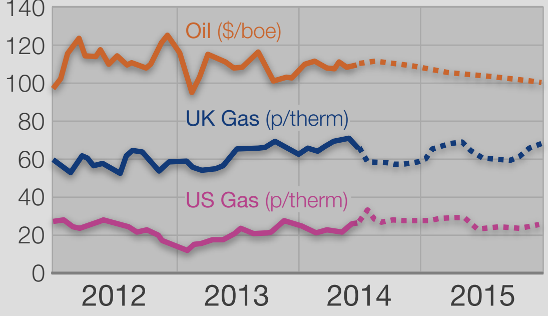
Average month ahead commodity prices



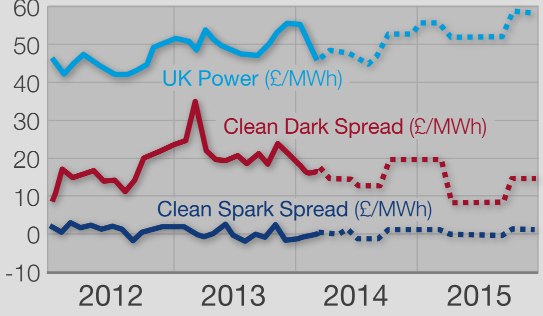
Average temperature
(degrees Celsius)

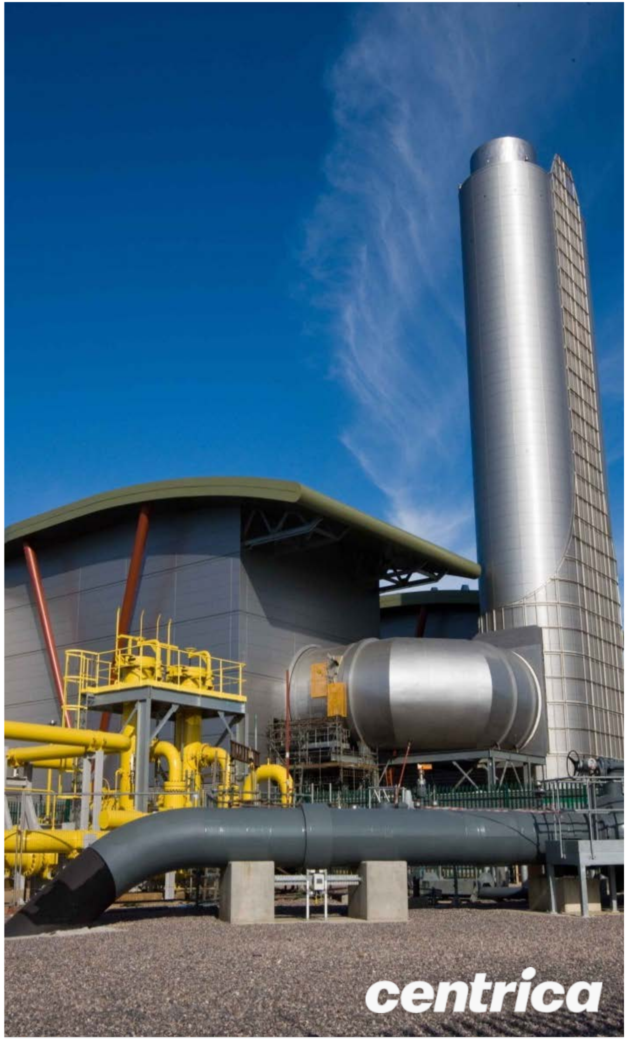


Average month ahead gas and oil prices



UK power prices and clean dark and spark spreads



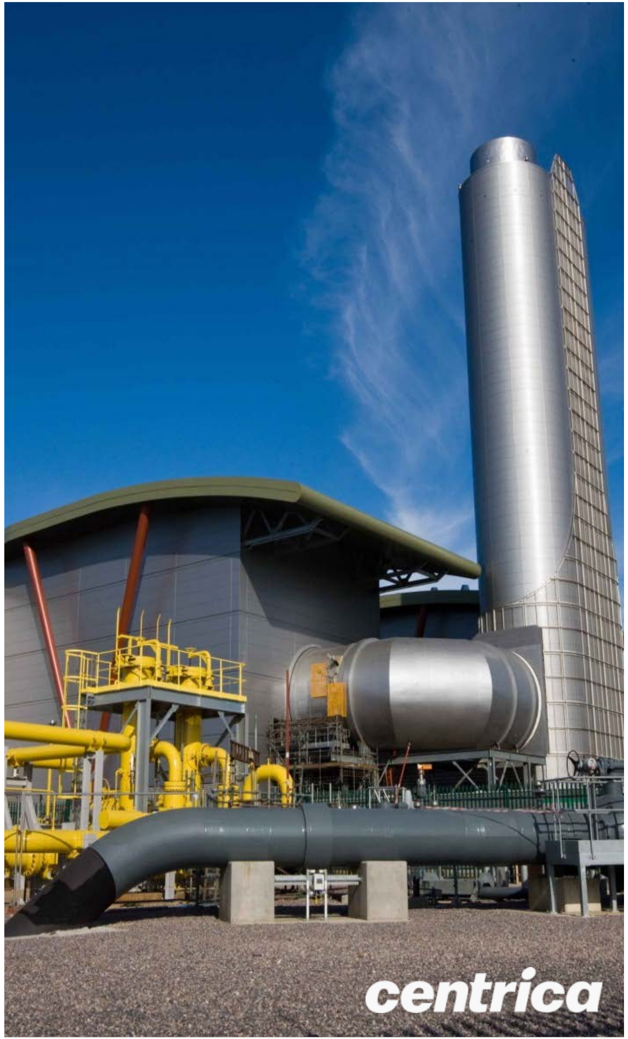


As at 20 February 2014

Financial headlines

Year ended 31 December	2013	2012
Revenue (£m)	26,571	23,942
Adjusted operating profit (£m)	2,695	2,743
Adjusted effective tax rate	43%	45%
Group result:		
Adjusted earnings (£m)	1,370	1,378
Adjusted earnings per share (p)	26.6	26.6
Full year dividend per share (p)	17.0	16.4

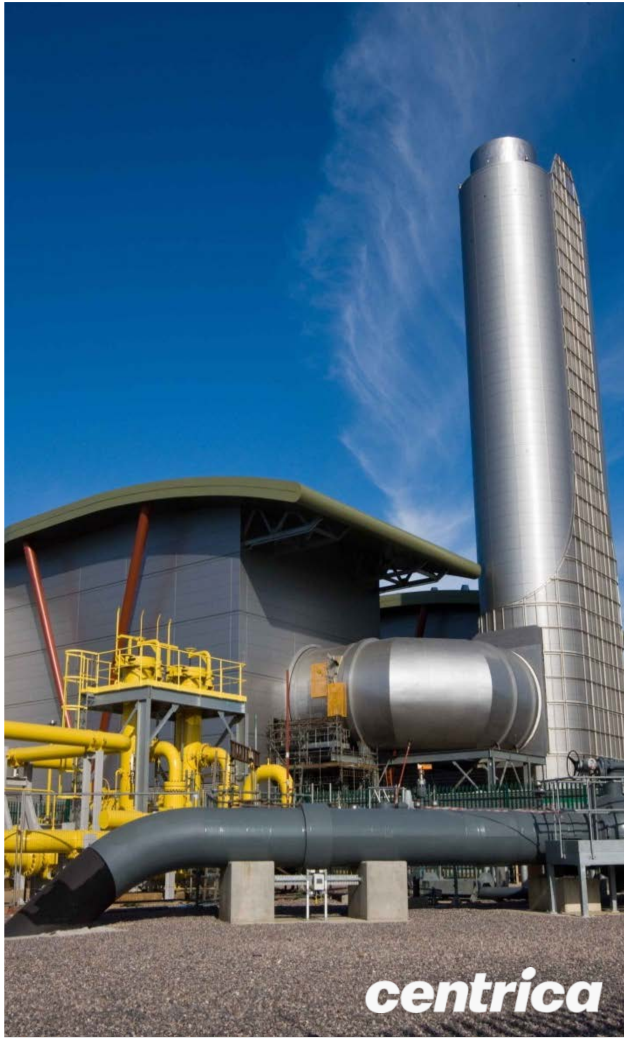
Above figures include share of JVs and associates after interest and taxation (except adjusted operating profit which includes share of JVs and associates before interest and taxation) and are before depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements
The Group has applied IAS19 (revised) pensions accounting. As a result, 2012 taxation, earnings and EPS have been restated
A definition of the effective tax rate is provided in the Group Financial Review



Operating profit analysis

Year ended 31 December (£m)	2013	2012
British Gas	1,030	1,093
Direct Energy	276	310
Centrica Energy	1,326	1,251
Centrica Storage	63	89
Adjusted operating profit	2,695	2,743
Share of JV / associates' interest and taxation	(111)	(85)
Depreciation of FV uplifts to property, plant and equipment	(66)	(96)
Group operating profit	2,518	2,562

Above figures are before exceptional items and certain re-measurements
The North American upstream gas business is now included within Centrica Energy. The 2012 comparatives have been restated accordingly



British Gas

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British Gas

Operating profit

Year ended 31 December (£m)	2013	2012
Residential energy	571	606
Residential services	318	312
Business	141	175
British Gas	1,030	1,093

Residential energy revenue (£m) **and post tax margin** (%)

Residential services revenue (£m) **and post tax margin** (%)

Business revenue (£m) **and post tax margin** (%)

Above figures include share of joint ventures 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

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Direct Energy

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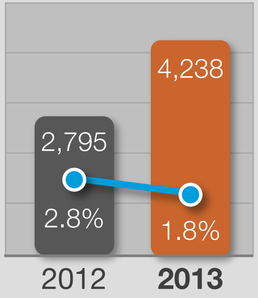
Direct Energy

Operating profit

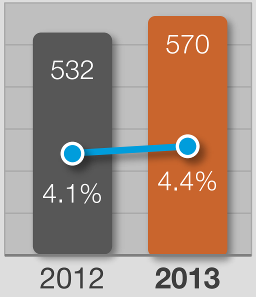
Year ended 31 December (£m)	2013	2012
Residential energy	163	156
Business energy	77	121
Services	36	33
Direct Energy	276	310

Residential energy revenue (£m) **and post tax margin** (%)

Business energy revenue (£m) **and post tax underlying margin** (%)



Services revenue (£m) **and post tax margin** (%)



Above figures are before exceptional items and certain re-measurements

The North American upstream gas business is now included within Centrica Energy. The North American Power and Midstream & Trading businesses are now included within Direct Energy Business energy supply. The 2012 comparatives have been restated accordingly

The business energy post tax margin (%) excludes the impact of amortisation of customer intangibles and integration costs resulting from the acquisition of the energy marketing business of Hess

Centrica Energy

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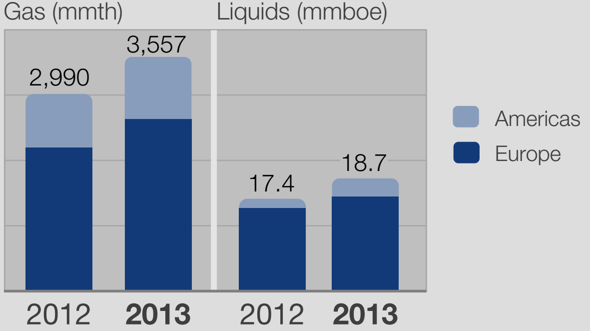
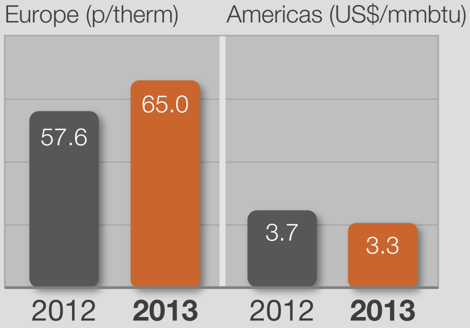
International gas

Year ended 31 December (£m)	2013	2012
Operating profit before tax	1,155	940
Operating profit after tax	*325*	*198*

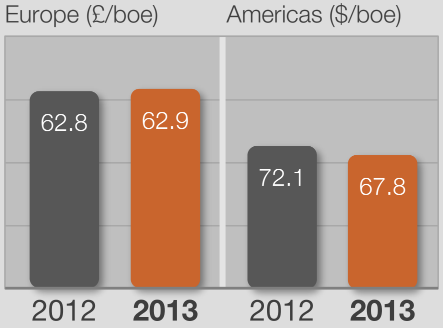
Gas & oil production volumes



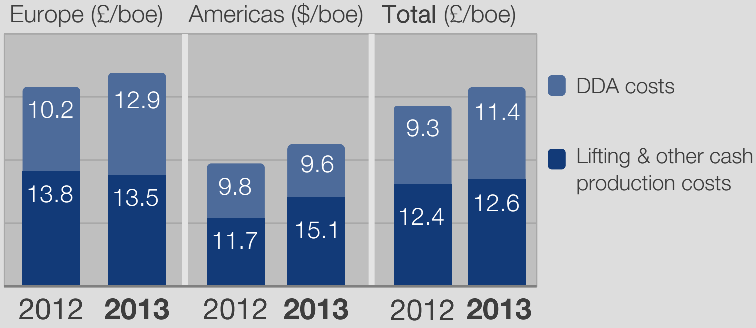
Average gas sales price



Average liquids sales price



Total unit production costs



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The North American upstream gas business is now included within Centrica Energy. The 2012 comparatives have been restated accordingly

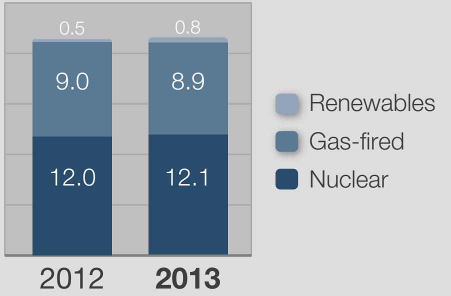
Americas figures include production from Canada and Trinidad & Tobago

UK power

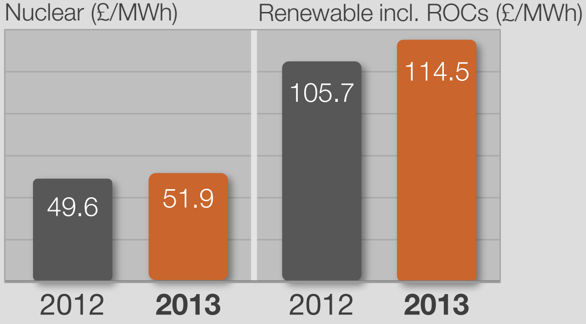
Operating profit/(loss)

Year ended 31 December (£m)	2013	2012
Gas	1,155	940
Power	171	311
Gas-fired	*(133)*	*(4)*
Renewables	*25*	*56*
Nuclear	*250*	*237*
Midstream	*29*	*22*
Centrica Energy	1,326	1,251

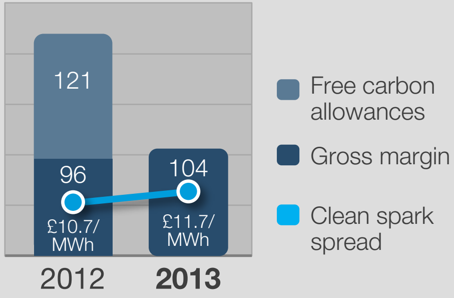
Power generation (TWh)



Achieved power price



Gas-fired gross margin & Clean spark spread (£/MWh)

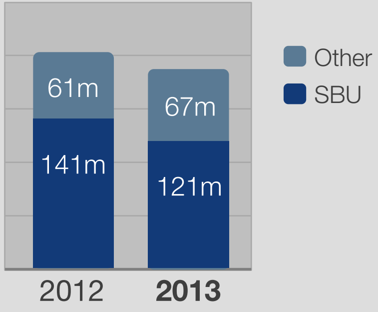


Above figures include share of joint ventures and associates before interest and taxation and are before depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements
Renewables includes a net loss of £11m in 2013 relating to profit on disposal and write-downs. The equivalent figure in 2012 is a profit of £32m

Centrica Storage

Year ended 31 December (£m)	2013	2012
British Gas	1,030	1,093
Direct Energy	276	310
Centrica Energy	1,326	1,251
Centrica Storage	63	89
Adjusted operating profit	2,695	2,743

Storage revenue (£)



Forward price spreads (p/therm)

Above figures include share of joint ventures 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
The North American upstream gas business is now included within Centrica Energy. The 2012 comparatives have been restated accordingly

Exceptional items and certain re-measurements

Year ended 31 December 2013 (£m)	Pre tax	Post tax
Rijnmond tolling contract[1]	(125)	**(125)**
E&P Impairments[2]	(699)	**(318)**
Gas storage projects[3]	(240)	**(224)**
Total exceptional items	**(1,064)**	**(667)**
Total net re-measurements	438	284
Exceptional items and certain re-measurements	**(626)**	**(383)**

1 An onerous contract charge for the Rijnmond tolling contract in the Netherlands as a result of decreases in expected future revenues
2 Reflecting updated information on resources and development costs following assessment of production rates and drilling results in the UK Southern North Sea, and a reduction in North American natural gas prices and an increase in the discount rate applicable to existing North American assets
3 Reflecting weak economics for storage projects and the UK Government's decision to rule out incentivisation for additional gas storage capacity to be built

Cash flow

Period ended 31 December (£m)	2013	2012
Opening net debt	(4,047)	(3,292)
EBITDA	3,799	3,650
Working capital movements	237	(51)
Margin calls	82	114
Interest	(219)	(172)
Tax	(892)	(524)
Net capex	(2,565)	(2,727)
Dividends	(862)	(815)
Share repurchase	(500)	0
Pension deficit payments	(85)	(37)
FX / Other	3	(193)
Closing net debt	(5,049)	(4,047)
Margin cash held / (pledged) within net debt	*(107)*	*(102)*

Capex and acquisitions

Period ended 31 December (£m)	2012[1]	2013	2014e[4]
Centrica Energy gas and oil	906	1,078	950
Centrica Energy power[2]	314	77	50
British Gas	161	204	150
Centrica Storage	37	50	25
Direct Energy	50	89	100
Other	59	38	25
Total pre-acquisitions	1,527	1,536	1,300
Acquisitions / (disposals)	1,200	1,029[3]	(460)[5]
Total	2,727	2,565	

1. The North American upstream gas business is now included within Centrica Energy. The 2012 comparatives have been restated accordingly
2. Centrica Energy power includes investment in JVs / associates for wind farm s and new nuclear developments
3. Acquisitions / disposals include the acquisition of Hess' Energy Marketing business and the acquisition of gas and oil assets in Canada from Suncor. For further details of all acquisitions and disposals see note 15 of the preliminary financial statements
4. Latest guidance for 2014
5. Includes the disposal of Texas CCGTs and of an interest in the Greater Kittiwake Area E&P assets

Summary and outlook

- 2013 EPS flat at 26.6p; scale and efficiency benefits offset by market headwinds
- 2014 outlook
  - margin pressures in energy supply on both sides of the Atlantic
  - new source of growth from Hess Energy Marketing; extreme weather conditions and FX movements impacted Direct Energy in the year to date
  - growth potential in Canada and Norway and E&P cost pressures in North Sea
  - UK gas storage and spark spreads remain low
- Strong cash position; real dividend growth and £420m share buyback programme

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Sam Laidlaw

Chief Executive

Our strategic priorities

1. **Innovate**
   to drive growth and service excellence

2. **Integrate**
   our natural gas business, linked to our core markets

3. **Increase**
   our returns through efficiency and continued capital discipline

The leading integrated energy company with customers at its core

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Good strategic progress

- Validation of refreshed strategy; investing to secure gas for our customers
- Hess and Suncor transactions deliver enhanced scale and capability in North America
- Simplified tariffs and improved reporting transparency in UK energy supply
- Realised value through divestments of selected assets
- Positive actions across the Group to deliver long term growth

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Securing gas for the UK in an increasingly international market

- £14bn of new gas supply contracts
  - US export deal with Cheniere, giving Centrica market optionality
  - extension to Qatargas LNG contract
- Acquired 25% stake in Bowland UK shale exploration licence
- £1.5bn organic capital expenditure across the Group in new sources of gas and power
- First gas at York, Rhyl and Kew
- Lincs offshore wind farm fully operational, capable of providing power for up to 200,000 UK homes

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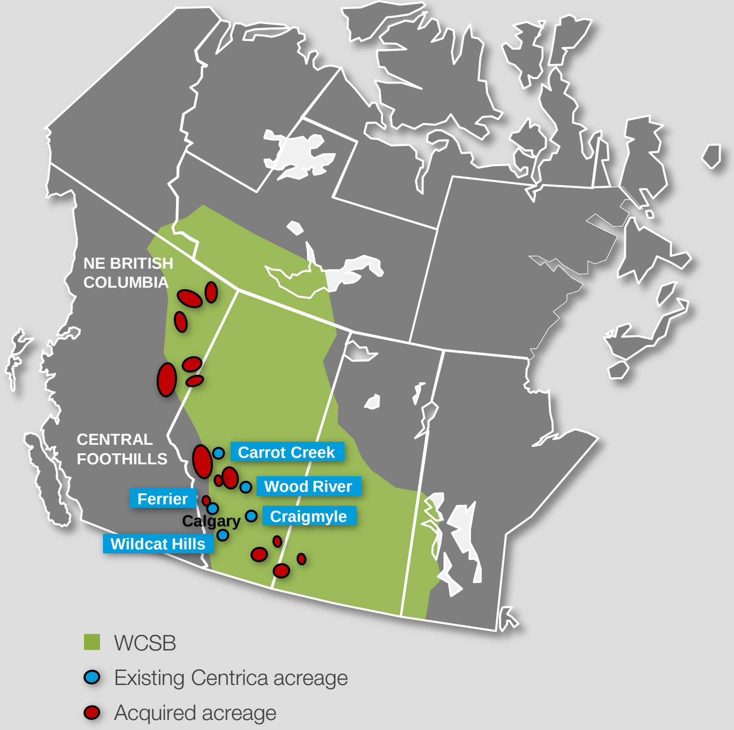
Enhanced scale in North America

- C$1bn gas and liquids acquisition doubles upstream scale in Canada and cements QPI relationship
  - initial production ahead of expectations
  - reserves and production upside potential
- $1.2bn Hess Energy Marketing acquisition transforms our operating model in North America B2B
  - advantaged positions along the gas value chain
  - long term customer relationships
  - growth through dual fuel offerings
  - initial financial performance ahead of business case



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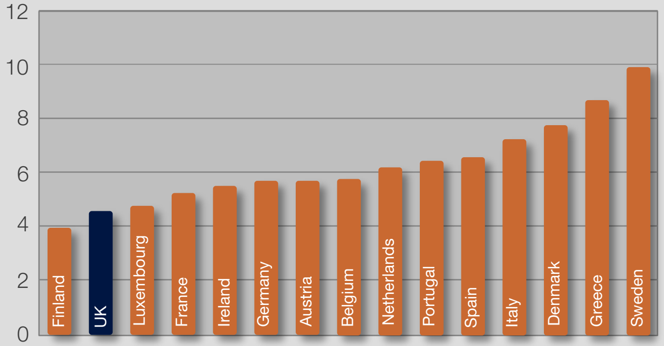
Working towards a transparent and affordable UK energy policy

- Prospect of political intervention has damaged investor confidence
  - proposed price freeze and ‘resetting the market’ is creating uncertainty
  - over 50% of UK gas now imported and priced off international markets
  - strong companies necessary to secure long term supplies and invest in power generation
- UK energy market amongst the most competitive in the world
- Energy efficiency is reducing average bills

2012 Comparison of UK vs. EU domestic gas prices (p/kWh)[1]



1 Source: International Energy Agency publication, Energy Prices and Taxes. Domestic gas prices include taxes

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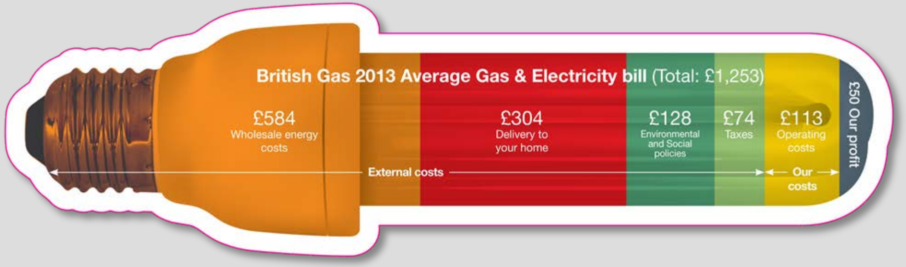
Working towards a transparent and affordable UK energy policy

- Detailed discussions with all stakeholders
  - improved understanding of true cost of components of the bill
  - proposals for more affordable ways to decarbonise
- First supplier to reduce prices following Government changes to ECO programme
- Transparency key to rebuilding trust in the industry
- Service and price competitiveness underpin supply margins



Based on British Gas 2013 financial results and consumption and is an average of all payment types / tariffs / regions

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Positioning the Group for the future – operational and capital efficiency

- Group-wide £500m cost reduction programme completed
- Downstream focus on improving core operations
  - new targets to deliver better service, lower costs and account growth
- Cost control and selective capital investment upstream
  - targeting flat unit cash production costs over next three years
  - reduced and refocused capital expenditure
  - limited near term power investment

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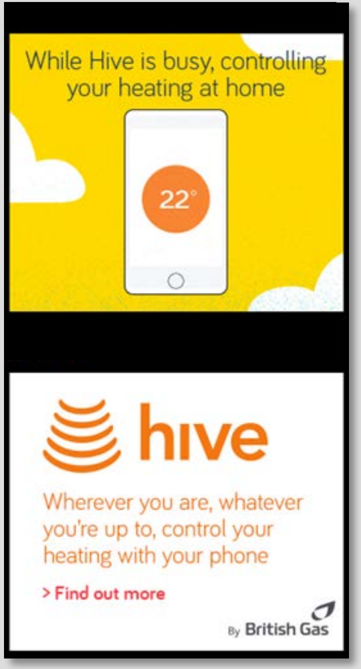
Growth through differentiation in British Gas

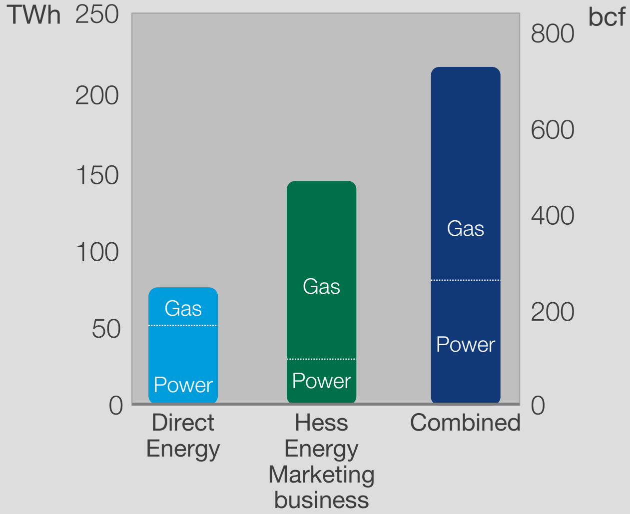
- Targeting industry leading service levels for our customers
  - improving key processes
  - combined residential energy and services platform
- Reducing costs
  - targeting £100m annual cost savings in BGB by end of 2015
- Driving for growth
  - number of customer accounts stabilising; targeting account growth in BGR and BGS
  - leadership in digital and smart connected homes
  - leveraging insurance based capabilities to offer new pricing structures and expanded product choice
  - growth in B2B services



Improving cost competitiveness in Direct Energy

- Targeting $100m cost reduction in 2014
  - benefiting from synergies from enhanced scale
- Differentiation through innovative product offerings
  - further growth expected in protection plans
  - significant potential for bundling of energy and services over time
- Integration of Hess Energy Marketing proceeding well
  - retain key personnel and systems; delivering good service and high customer retention
  - capture new business from Marcellus producers and from oil to gas switching

Total US non-residential annualised sales volumes



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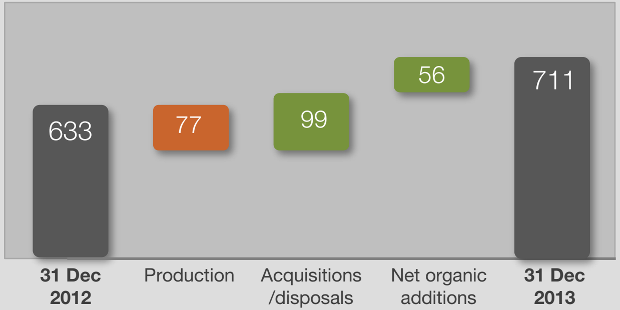
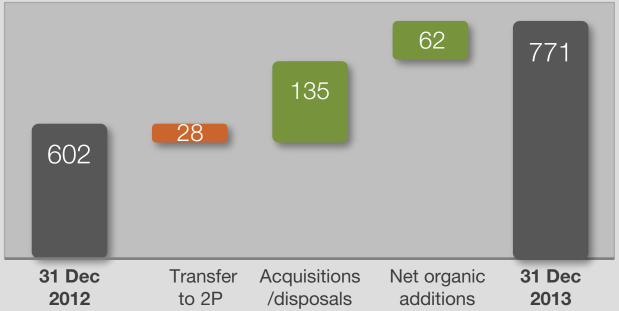
Positioning Centrica Energy for the future – adding value through selective investments

- Adding value through reserve additions, reflecting quality of previous investments
  - 56mmboe of organic 2P reserve additions, predominantly in Norway
  - well placed to benefit from any upside in NA gas prices through accelerated development of Canadian resources
- Increasingly selective investments against backdrop of rising costs. Targeting flat unit cash production costs over next 3 years
- Continue to develop our LNG capabilities

Centrica 2P reserves (mmboe)[1]



Centrica 2C resources (mmboe)



1 Excludes Rough cushion gas (30mmboe)

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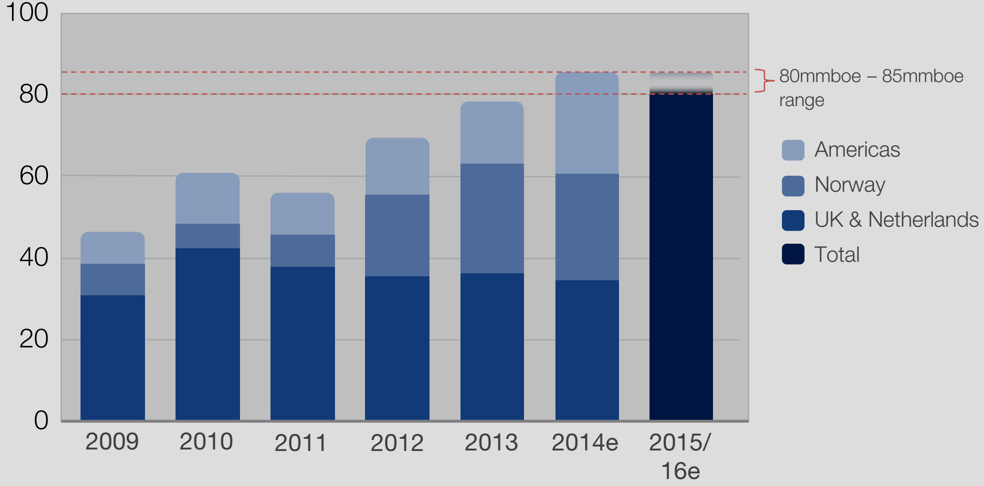
Positioning Centrica Energy for the future – adding value through selective investments

- Organic E&P capex reduced to around £900m on average over next 3 years
  - limited impact on near-term production
  - increasing proportion directed towards North America
- Consider acquisition opportunities if economics are attractive
  - continue to high-grade our portfolio for value

Global gas & oil production outlook (mmboe/a)



Production volumes include 100% share of Suncor assets acquired in partnership with QPI

Summary

- Good strategic progress, robust actions in place across the Group in a challenging environment
- Engaging with political stakeholders to help reduce uncertainty
- Strong cash flow and balance sheet
- Platform for long term growth
  - underpin competitive position in UK downstream through service and innovation
  - realise the potential of the enlarged North American business
  - develop upstream portfolio for value
  - integrate along the gas value chain
- Political engagement to restore investor confidence

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