Preliminary Results

For the year ended 31 December 2011

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.

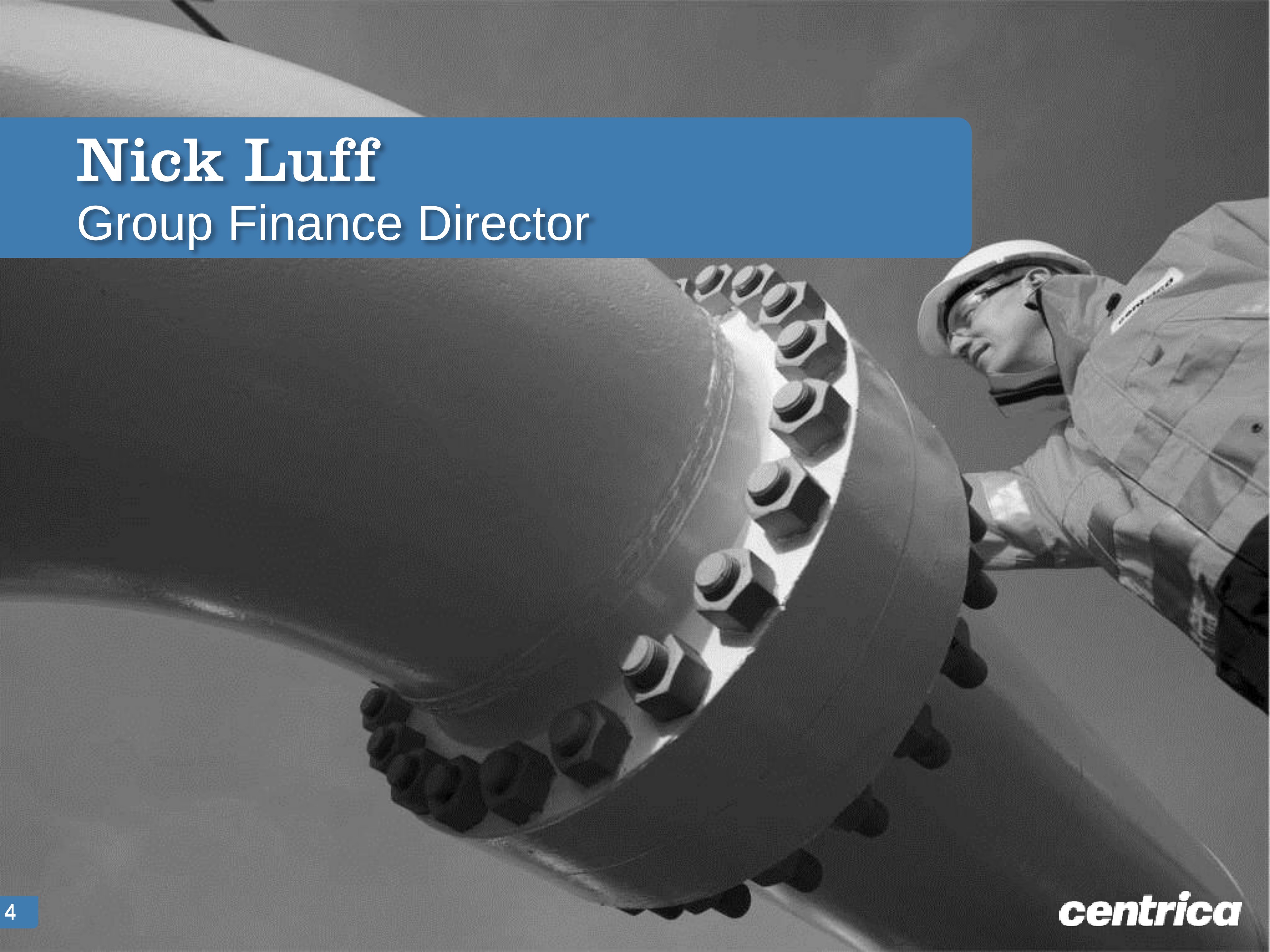
Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser.

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.

Sir Roger Carr
Chairman

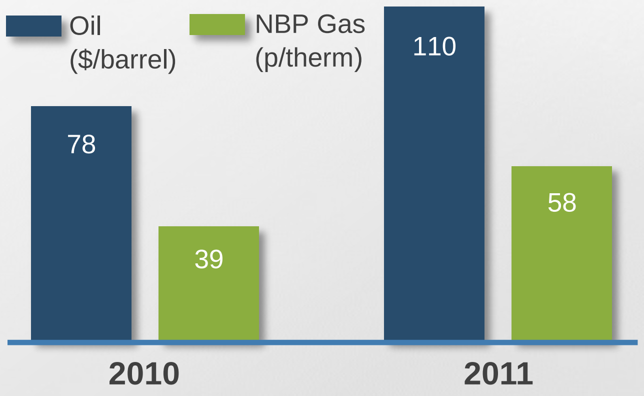
Nick Luff

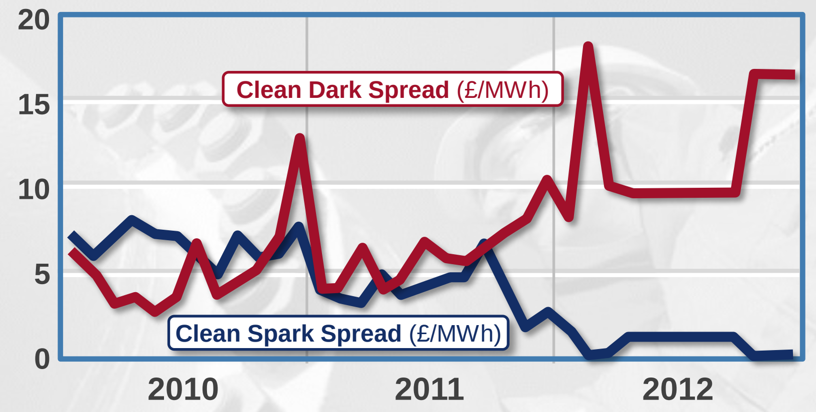
Group Finance Director



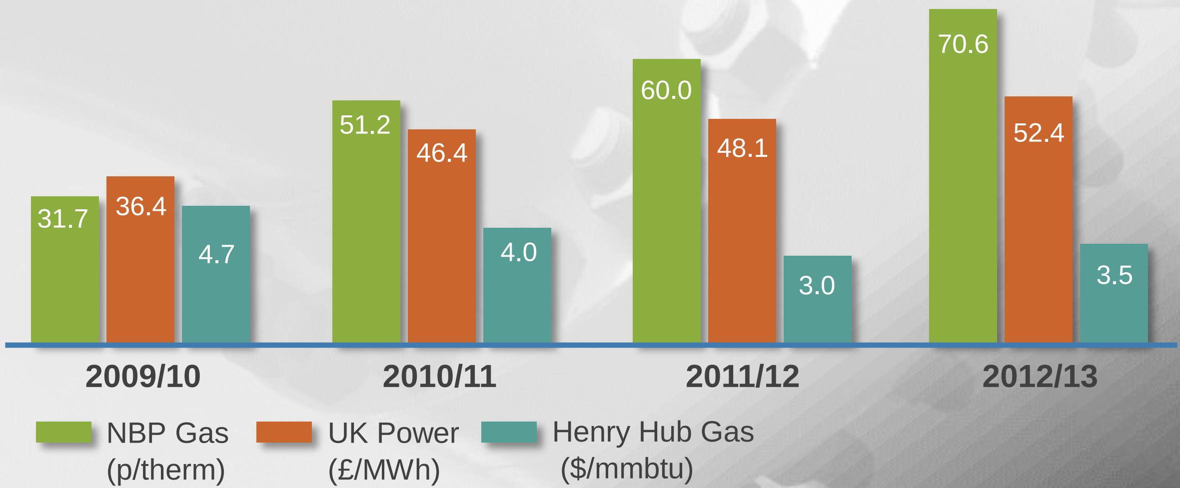
Commodity prices and spreads

Average oil and gas prices





Average winter gas and power prices



As at 22 February 2012

Financial headlines

Year ended 31 December	2011	2010
Continuing operations:		
Revenue (£m)	**22,824**	22,423
Adjusted operating profit (£m)	**2,415**	2,390
Adjusted effective tax rate	**40%**	37%
Group result:		
Adjusted earnings (£m)	**1,333**	1,297
Adjusted earnings per share (p)	**25.8**	25.2
Full year dividend per share (p)	**15.4**	14.3

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
A definition of the effective tax rate is summarised in the Group Financial Review

Operating profit analysis

Year ended 31 December (£m)	2011	2010
Downstream UK	1,005	1,216
Upstream UK	1,023	771
Storage UK	75	169
North America	312	234
Adjusted operating profit	2,415	2,390
Share of JV / associates' interest and taxation	(102)	(78)
Depreciation of FV uplifts to property, plant and equipment	(105)	(118)
Group operating profit	2,208	2,194

Above figures are from continuing operations and are before exceptional items and certain re-measurements

Operating profit analysis

Downstream UK

Year ended 31 December (£m)	2011	2010
Downstream UK	1,005	1,216
Upstream UK	1,023	771
Storage UK	75	169
North America	312	234
Adjusted operating profit	2,415	2,390

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

centrica

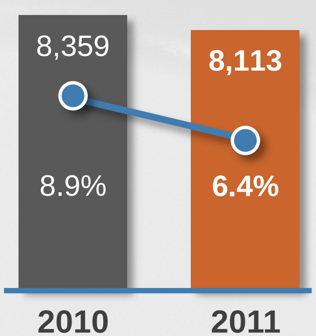
Downstream UK

Operating profit & key drivers

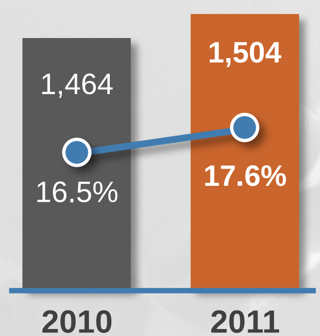
Operating Profit

Year ended 31 December (£m)	2011	2010
Residential energy	522	742
Residential services	264	241
Business	219	233
Downstream UK	1,005	1,216

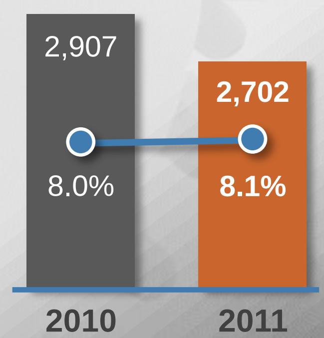
Residential energy revenue (£m) and margin (%)



Residential services revenue (£m) & margin (%)



Business revenue (£m) & 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

centrica

Operating profit analysis

Upstream UK

Year ended 31 December (£m)	2011	2010
Downstream UK	1,005	1,216
Upstream UK	**1,023**	771
Storage UK	75	169
North America	312	234
Adjusted operating profit	**2,415**	2,390

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

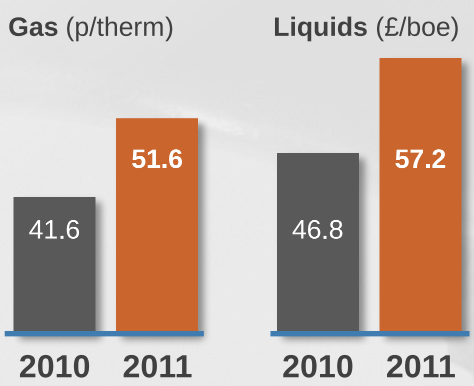
centrica

Operating profit & key drivers

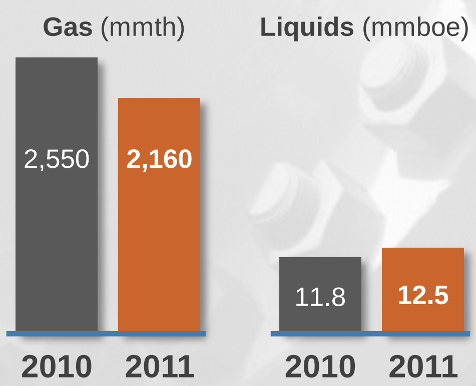
Operating Profit

Year ended 31 December (£m)	2011	2010
Gas	**769**	566
Power	**254**	205
Upstream UK	**1,023**	771

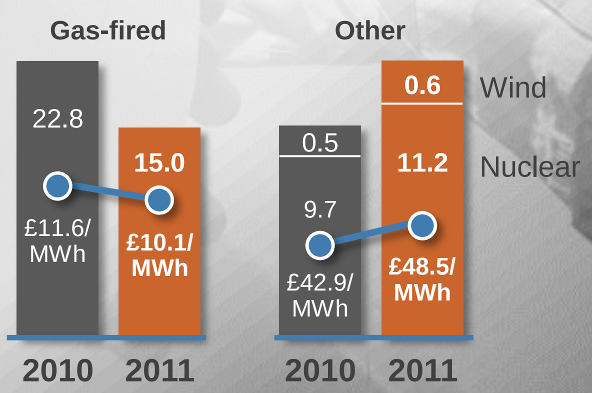
Average sales price



Gas & oil production volumes



Power generation (TWh) / achieved CSS / nuclear power price (£/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

centrica

Operating profit analysis

Storage UK

Year ended 31 December (£m)	2011	2010
Downstream UK	1,005	1,216
Upstream UK	1,023	771
Storage UK	**75**	169
North America	312	234
Adjusted operating profit	**2,415**	2,390

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

Operating profit analysis

North America

Year ended 31 December (£m)	2011	2010
Downstream UK	1,005	1,216
Upstream UK	1,023	771
Storage UK	75	169
North America	312	234
Adjusted operating profit	2,415	2,390

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

North America

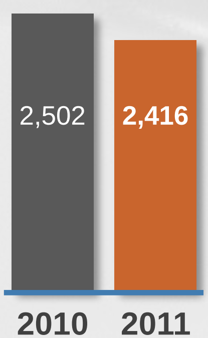
Operating profit & key drivers

Operating Profit

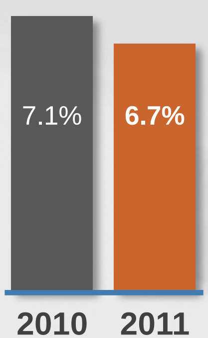
Year ended 31 December (£m)	2011	2010
Residential energy	161	177
Business energy	110	88
Services	28	15
Upstream & Wholesale	13	(46)
North America	312	234

Residential energy

Revenue (£m)

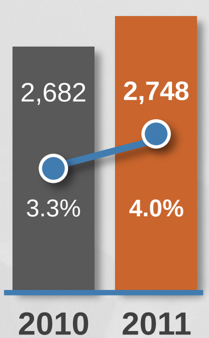


Operating margin (%)

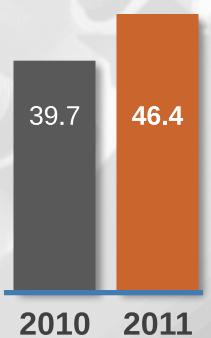


Business energy

Revenue & margin % (£m)

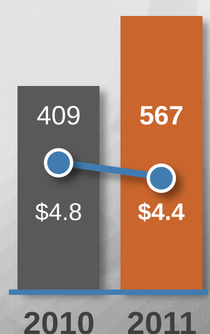


Power volumes (TWh)

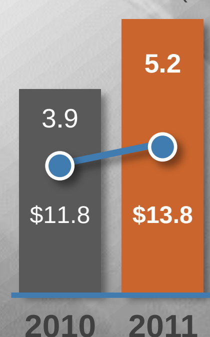


Upstream and wholesale

Gas volume (mmth) **and achieved price** (C$/GJ)



Power volumes (TWh) **/ achieved CSS** (US$/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

centrica

Exceptional items and certain re-measurements

Year ended 31 December (£m)	**2011**
Impairment of UK power generation assets	(226)
Restructuring costs	(154)
Pensionable pay cap	333
Contract termination costs	(63)
European gas transportation / Rijnmond	(221)
Taxation on exceptional items	69
Effect of change in UK supplementary corporation tax	(204)
Loss on disposal of Oxxio B.V. after taxation	(56)
Total exceptional items after taxation	**(522)**
Total net re-measurements	(322)
Exceptional items and certain re-measurements	**(844)**

For further details refer to note 6 of the preliminary accounts

Cash flow

Year ended 31 December (£m)	2011	2010
Opening net debt	**(3,312)**	(3,136)
EBITDA	**3,128**	3,181
Working capital movements	**165**	(251)
Margin calls	**(26)**	466
Interest and tax	**(862)**	(819)
Net capex	**(1,601)**	(1,669)
Dividends	**(762)**	(668)
Pension deficit payments	**(27)**	(308)
FX / Other	**(138)**	(108)
Closing net debt	**(3,435)**	(3,312)
Margin cash held / (pledged) within net debt	***(219)***	*(173)*

Capital and acquisition expenditure

Year ended 31 December (£m)	2010	**2011**	2012e[3]
UK upstream gas and oil	475	**613**	750
UK upstream power[1]	233	**300**	300
North America	87	**70**	100
UK gas storage	63	**59**	50
British Gas	150	**211**	150
Other	39	**48**	50
Total pre-acquisitions	1,047	**1,301**	1,400
Acquisitions / disposals	622	**300**[2]	1,400[4]
Total	1,669	**1,601**	

1 UK Upstream power includes investment in JVs / associates for windfarm and new nuclear developments
2 Major items in acquisitions / disposals in 2011 include acquisitions of Gateway, First Choice Power, Vectren, Wildcat Hills, PH Jones and the disposal of Oxxio
3 Latest guidance for 2012
4 Acquisitions announced to date – includes the Statoil Norwegian asset purchase, Home Warranty of America, the Carrot Creek assets, an additional interest in the Statfjord field and a package of UK North Sea assets from Total

Balance sheet

Year ended 31 December 2011 (£m)	Cash flow	Debt	%
EBITDA / Net debt	**3,128**	**(3,435)**	
Interest / tax / dividends from JVs	(715)	-	
Lease adjustment	-	(950)	
Restricted cash	-	(344)	
Other adjustments	(12)	97	
Funds from operations / adjusted debt	**2,401**	**(4,632)**	52%
Dividends	(762)	-	
Additional lease adjustment / other	(150)	(703)	
Retained cash flow / adjusted debt	**1,489**	**(5,335)**	28%

Summary and outlook

Full year earnings growth

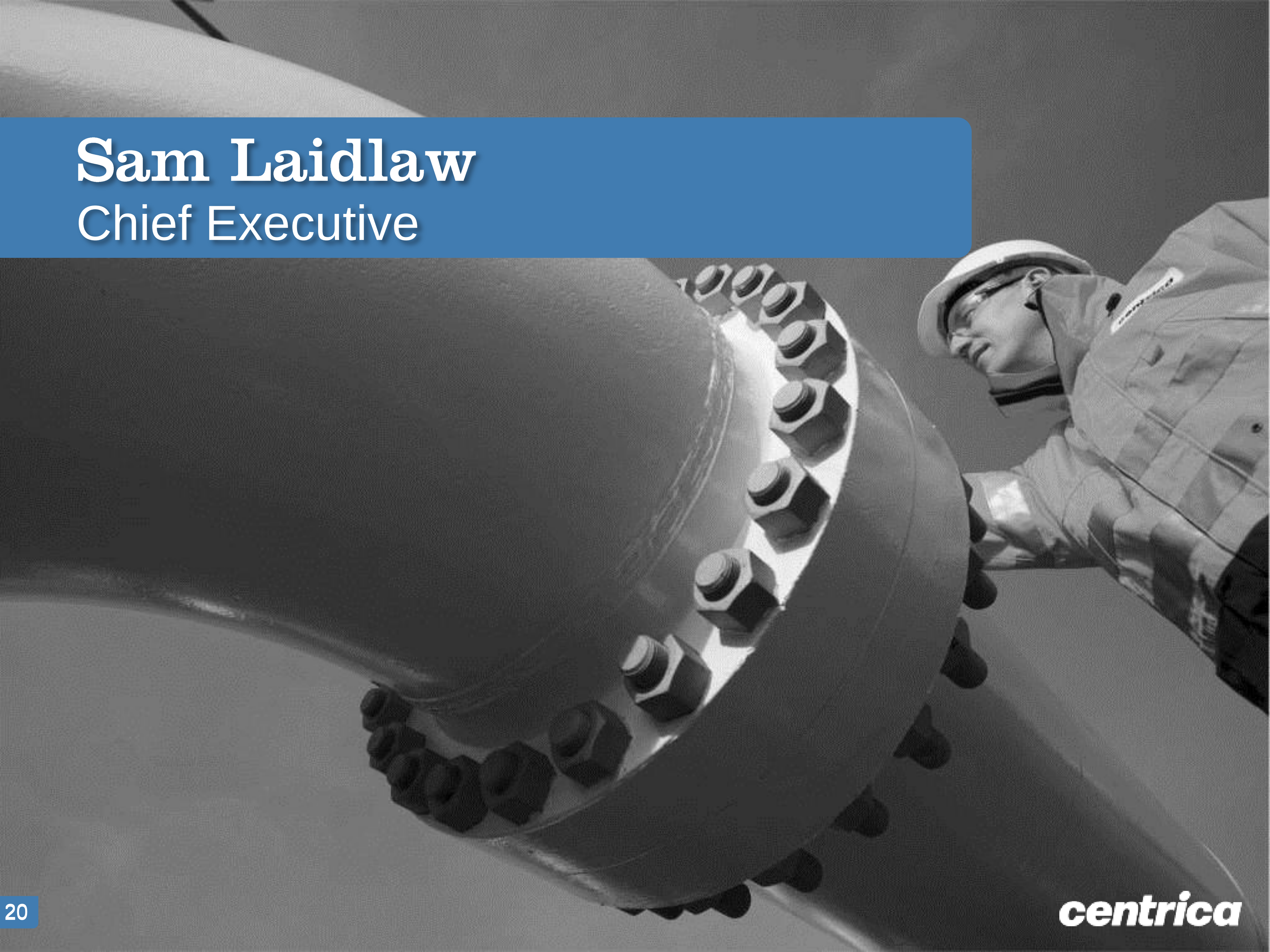
- Energy supply profit down due to higher wholesale prices, warmer weather; BGB also impacted by the economy
- BGS profit up 10% in a difficult economic environment
- Upstream profit up 33%; higher gas and power prices and good operational performance
- North America profit up 33%; benefiting from organic improvements and acquisitions
- Dividend up 8%

Further earnings growth expected in 2012

- Upstream benefits from higher prices and higher production
- Outlook remains challenging for gas-fired generation
- BGR dependent on commodity prices and weather; targeting double digit profit growth in BGS through operational efficiencies
- Continue to benefit from enhanced scale and operational efficiencies in North America

Sam Laidlaw

Chief Executive



centrica

Overview

Challenging market conditions in 2011

- Rapidly rising wholesale prices in H1, post Fukushima and Arab Spring
- Global economic weakness
- Mild UK weather
- Low clean spark and storage spreads
- Regulatory environment – upstream tax, Ofgem, Ontario
- Low North America gas and power prices; extreme weather in Texas

Good performance against this backdrop

- Further earnings and dividend growth
- Demonstrates the resilience of the Centrica integrated business model
- Sharpening the business downstream
- Strong UK upstream performance and good progress on our investment programme
- Further growth in North America, building on existing platform

2011 performance

British Gas

- Delivering for customers
  - 4 star rating from Consumer Focus
  - Nectar, Sainsbury's, online
- Warmer weather leading to reduced consumption
  - lower average bill in 2011 despite higher commodity and non-commodity costs
  - proactive engagement with customers
- First to reduce residential energy tariffs in 2012
  - regained cheapest electricity position
- Services delivering in tough economic conditions
  - further growth in accounts
  - improved service flexibility
- BGB impacted by warmer weather and economy
- Further progress in new markets
  - social housing, insulation, microgen, smart meters

Accounts ('000)	Dec 11	Dec 10	Change
Residential energy	**15,881**	15,978	-97
Residential services	**8,862**	8,718	+144
Business energy	**999**	1,044	-45
Total	**25,742**	25,740	+2
Joint product households	***2,207***	*2,164*	*+43*

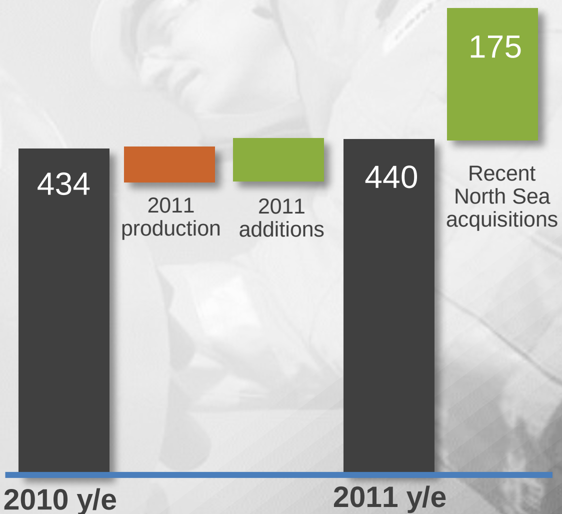
centrica

2011 performance

Centrica Energy

- Good asset performance
- Deploying distinctive capabilities
  - further progress on gas and oil projects
  - production replacement ratio of 112% reflecting upgrades of existing fields
- North Sea reserve additions
  - agreements to acquire 175mmboe of reserves in Norway and UKCS
  - 10 year supply contract and MOU with Statoil
- Qatargas supply contract
  - first delivery of LNG to Isle of Grain
- Strong nuclear and wind performance
  - nuclear output up 16%, wind output up 21%
  - higher power prices
  - Lincs first power expected in H2 2012

Upstream UK 2P Reserves (mmboe)

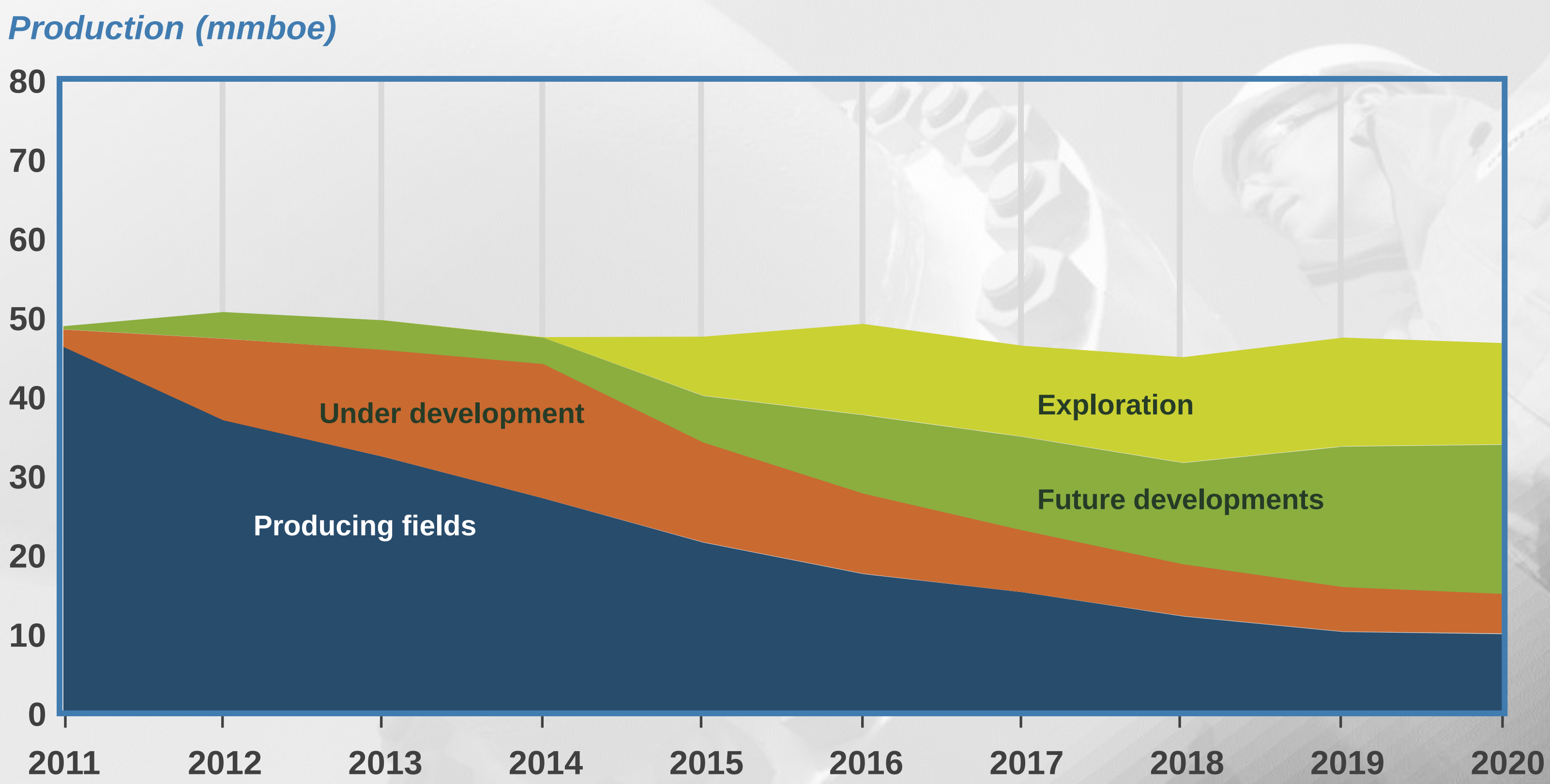


Includes Rough cushion gas (31mmboe)

centrica

Upstream production profile

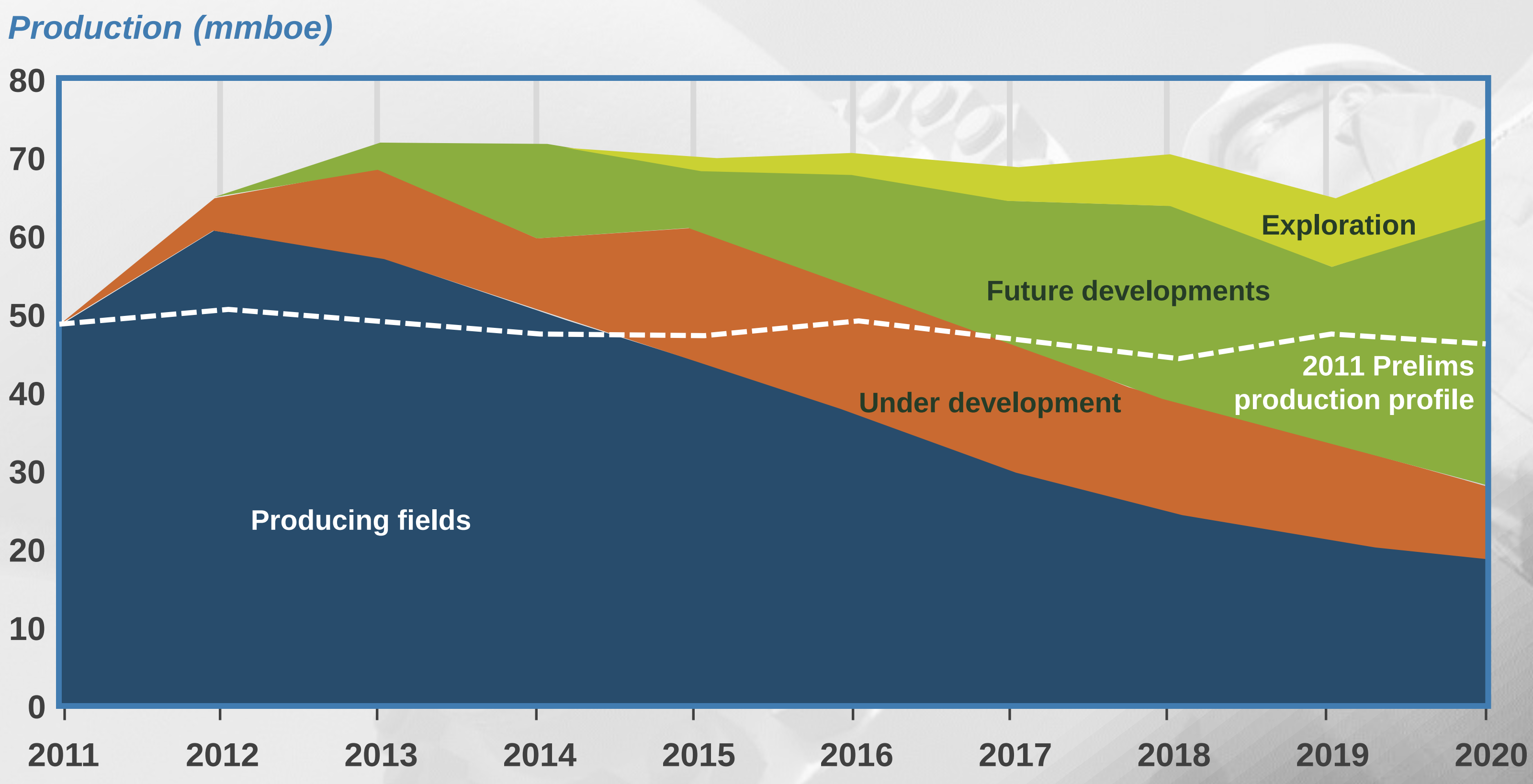
February 2011



centrica

Upstream production profile

February 2012



Producing fields – includes production from announced 2012 North Sea asset acquisitions
Under development – includes Ensign, Seven Seas, Rhyl, Atla, York, Annabel East, Kew, Cygnus, Valemon
Future developments – longer term investment options, yet to be approved for development e.g. Peik, Fogelberg, Olympus, Maria, Block 22, Frigg Gamma/Delta, Fulla
Exploration – development options resulting from future exploration successes – risked, assuming c.30% chance of success on average

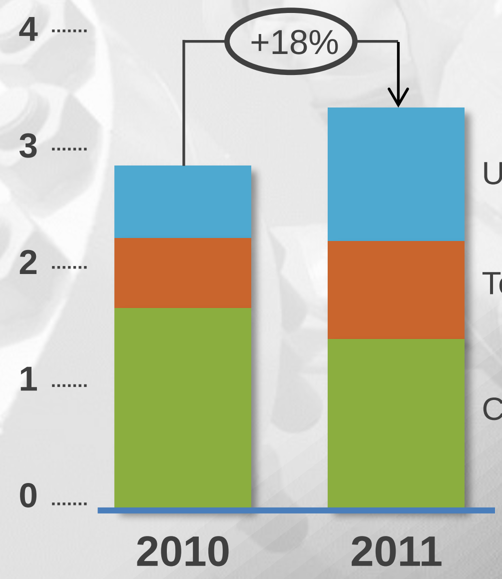
centrica

2011 performance

North America

- Increased scale in residential energy
  - Gateway, First Choice Power and Vectren acquisitions
  - US North East organic growth
  - difficult Ontario regulatory environment
- Further volume growth and sustained margins in business energy
- Building platform for growth in services
  - integration of Clockwork complete
  - insurance capability in US through HWA acquisition
- Improved performance upstream despite continued low gas and power prices
  - 14% increase in 2P reserves
  - increased proportion of liquids
  - strong performance during Texas power price spikes

North America residential customer accounts (million)



centrica

Strategic priorities and direction unchanged

Maximise returns from existing assets

- Maintain efficiency and service levels downstream
  - leadership through scale and brand
- Deploy distinctive capabilities upstream
  - strong portfolio of operational assets
  - deliver existing projects

Group-wide competition for capital and geographic diversity

- Disciplined approach to investment, aligned with strategy and capabilities
  - customer at the heart of everything we do
  - healthy balance between upstream and downstream
  - strengthening the hedge, adding scale and value
  - drives long-term growth

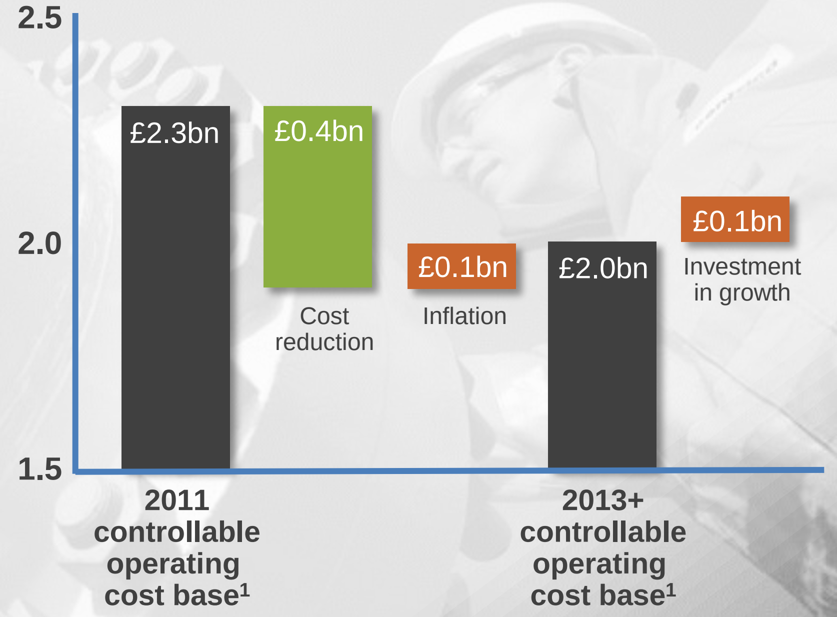
centrica

Cost reduction programme

£0.5bn cost reduction programme

- £0.4bn reduction in controllable cash operating costs[1]
- Further £0.1bn reduction in cost of sales
- Half of total reduction expected in 2012
- 2,300 reduction in FTE already announced

- Sharpens competitive position
- Enables investment in growth
  - B2B services, smart homes, microgen, energy efficiency
  - Direct Energy



1 Excludes exploration, bad debt, depreciation and impact of acquisitions

centrica

Cost reduction programme

British Gas

- 10% reduction in underlying operating costs[1] over next two years
- Reap benefits of systems investment, back office efficiencies and streamlined organisation

Centrica Energy

- Streamlined support functions and midstream organisation
- Proposed closure of two CCGTs, German business

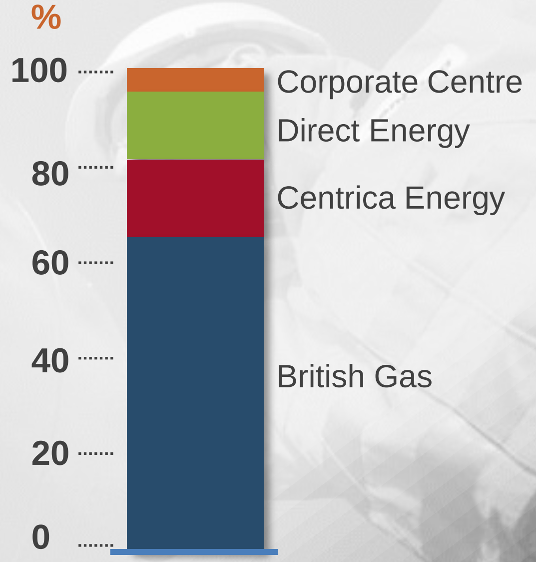
Direct Energy

- Consolidation of HQ/Shared Service activities in Houston
- Operational efficiencies in all lines of business

Corporate Centre

- Activities transferred to businesses, improving accountability
- Corporate Centre headcount reduced by two-thirds

£0.5bn cost reduction split by business

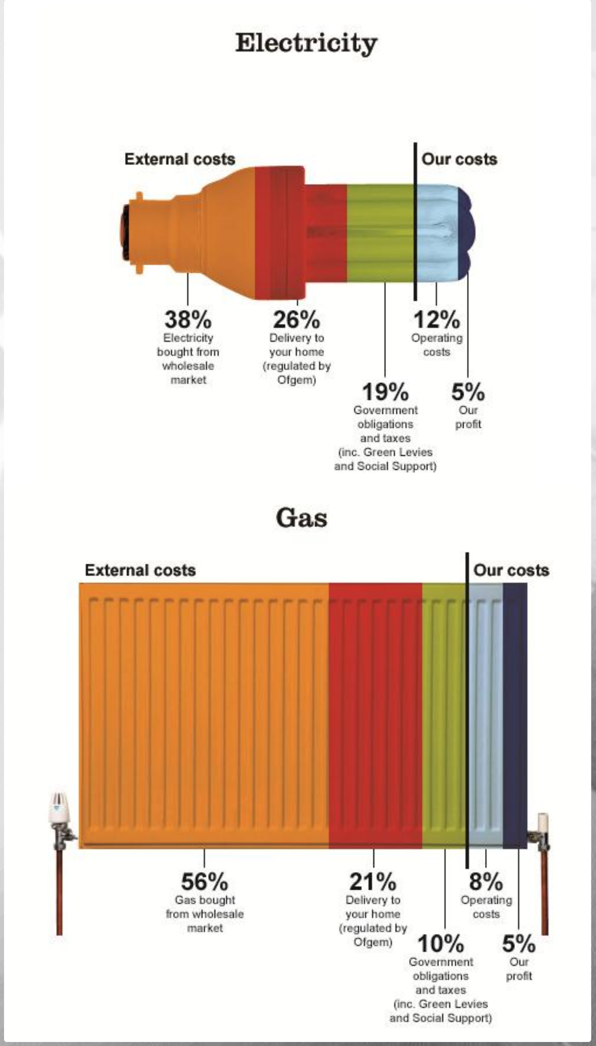


1 Excludes bad debt costs and investment in growth

centrica

Honest conversation

- Build trust
  - tariffs simplified, clearer bills
  - making it easier for customers to check their tariff
  - widest eligibility for Warm Home Discount
- Build understanding
  - commodity costs, non-commodity costs, green levies all increasing
  - affordability becoming an increasingly important issue
  - role for suppliers, Government and Regulator
- Delivering for customers
  - service excellence
  - distinctive product offerings



Cost breakdown figures in charts are indicative as at September 2011. Profit figures are based on average British Gas Residential energy supply profits after tax over the period 2006-11

centrica

Upstream UK investment

- Significant investment required in the UK
  - clarity and assurance over investment climate
  - much to be resolved through EMR process
- Centrica well placed in an uncertain environment
  - strong cash flows
  - wide range of opportunities, aligned to capabilities
- Drive value from attractive opportunities in upstream gas and oil and offshore wind
  - gas and oil production target of 75mmboe largely achieved
  - bring Lincs wind farm on-line; decision on Race Bank
  - post-tax energy hedge around 50%
- Further growth options
  - new nuclear, biomass, new build CCGT, gas storage

Kittiwake

centrica

North America growth

- Good progress towards doubling profitability
- Organic and acquisition growth opportunities in energy supply
  - increase scale and deliver cost efficiencies
- Leverage Clockwork and Home Warranty of America to drive growth
  - develop insurance offering, replicating the UK
  - increasingly cross-sell to our energy customer base
- Continue to evaluate upstream opportunities
  - increase level of vertical integration, if value adding
- Disciplined approach to investment

centrica

Summary

- Delivering value in challenging external environment
- Good progress on our investment programme
  - Upstream UK and North America
  - geographic diversity
  - attractive investment options, aligned to strategy and capability
- Competitive advantage through cost reduction programme
- Centrica business model remains robust
  - customer at the heart of everything we do
  - healthy balance between upstream and downstream
  - strong cash flow
  - year-on-year real dividend growth