

Interim Management Statement

17 November 2010

Centrica continued to perform strongly during the third quarter, making good progress towards the strategic priorities set out earlier this year. Overall, the Group's forecast operating profit for 2010 is slightly ahead of current market expectations. At the earnings level this will be offset by interest and tax charges, in particular in respect of joint ventures and associates, not yet fully reflected in market forecasts. Taking these factors into account, Centrica's earnings per share for the financial year are expected to be in line with current market expectations, subject to the usual variables of weather, commodity prices and production performance.

British Gas continues to perform well, with further growth in customer account holdings and high levels of customer service. Since the start of the year, the number of residential energy accounts on supply has increased by 270,000 while the number of services accounts has increased by 181,000. Of the 8.6 million services product holdings, we now serve over 50% with an insurance based product. In total, the number of customer account holdings has increased by over 450,000 in 2010, and the number of 'joint product' households who take both an energy and services product from us has increased by 80,000.

Residential gas consumption was 2% lower and electricity consumption was 1% lower in the third quarter of 2010 than during the same period in 2009, as energy efficiency measures continued to reduce underlying average energy consumption. British Gas remains committed to leading the industry in driving energy efficiency and enabling new technologies, and during the third quarter we announced a £30m package for British Gas to 'go early' on the Government's Green Deal programme. We now employ nearly 500 people in our insulation business, while in August we announced a new solar offering, *mySolar Energy*. In September we announced a partnership with Mears Group plc, through which we will jointly bid on repair and maintenance contracts in the social housing sector, and in October we opened the UK's first plant to inject biomethane renewable gas to the grid. We have now installed nearly 200,000 smart meters in UK homes and businesses, and in October we announced that we had acquired a stake in AlertMe, a provider of home management services.

Forward wholesale gas and power prices are significantly higher for 2011 than they have been in the current year. Other costs, such as network charges and environmental obligations, are also rising. This has necessitated an increase in our residential gas and electricity prices of 7%, which we announced on 12 November and which will take effect from 10 December.

In the ten months to October, we installed 29% more boilers than in the same period last year, reflecting the benefit of our more competitively priced offering and the effect of the Government's boiler scrappage scheme; while in September we announced that British Gas would be joining the Nectar loyalty programme from 2011. We were also pleased to reach agreement with the GMB trade union regarding new contract terms and conditions for our service and repair engineers. This significant agreement enables us to offer our same day service commitment and greater flexibility to meet customer demand for evening and weekend appointments.

In our business energy supply and services division, we remain on track to deliver substantially increased year on year profit. We continue to achieve strong retention amongst our SME and multi-site customer base. In October, we completed the acquisition of the gas and electricity services businesses of Connaught Compliance, which provides a platform to accelerate the build of a complete energy solutions business in the business energy sector.

In our Upstream UK business production performance has been strong, with gas and oil volumes for the full year expected to be around 50% higher than in 2009, subject to the running patterns of our flexible gas fields. This reflects the acquisition of Venture and increased volumes from Morecambe following the decision to shut-in production during large periods of 2009. On our development projects we continue to make progress. The fourth development well at our Chiswick field in the North Sea was successfully drilled and brought on stream and the non operated Babbage field commenced production. We also successfully pre-drilled the first development well on our York development and installed the F3-FA platform in The Netherlands, while at Ensign we have approved field development. We have recorded considerable success in exploration and appraisal, where we have made discoveries at the Fulham prospect in the Southern North Sea and the David prospect in Norway. Of the 14 operated and non-operated wells drilled this year, ten have now shown positive results, including five exploration discoveries, with a further three wells scheduled to be drilled by the end of 2010. In September we announced that we had reached an agreement to acquire a further stake in the Staffjord field, and in October we commenced a process to divest and reduce our interests in a number of non-core assets in the UK Continental Shelf, following a review of our portfolio. This will allow us to focus our resources and capital on the core fields that will create value over the long term.

17 November 2010

In power generation, the operational performance of our gas fired power stations continues to be strong, with reliability of 97% year to date. However, while market clean spark spreads remained higher than clean dark spreads for much of the third quarter, spreads were lower than seen in the same period in 2009, and on the current forward curve are expected to remain low for the remainder of the year. Wind availability remained high during the third quarter, and yields improved compared to the first half of the year. Centrica's share of output from the British Energy nuclear fleet during the third quarter was 2.0 terawatt hours reflecting the impact of outages, most notably at Sizewell B power station which returned to service at the end of the third quarter.

In gas storage, with all standard bundled units for the 2010/11 storage year already sold, expectations for the profitability of the Rough facility in the 2010 financial year remain unchanged. On our projects, after taking into account the prospect of reduced market volatility and higher than anticipated construction costs, we have taken the decision not to proceed with the fast cycle Caythorpe facility at the present time. We continue to work on the high level project design and economics of Baird and Bains. Like Rough, these facilities are more dependent on seasonal gas price differentials, which have significantly narrowed and may impact the viability of the projects.

Our North American downstream business continues to make good progress, both operationally and financially, with higher underlying profitability in the nine months to September in each of residential and business energy supply and in services than in the same period in 2009. In residential energy supply, above normal temperatures in Texas combined with low commodity prices contributed to a strong performance. In addition, our focus on improving efficiency has resulted in a lower overall cost base, and higher retention rates. In business energy supply, strong sales have continued, resulting in electricity volumes in the nine months to September being 18% higher than over the same period in 2009. In services, the integration of Clockwork is progressing well. The market environment remains challenging upstream, with low gas prices across North America, and low spark spreads in Texas continuing to impact the returns from our existing upstream assets. This low price environment has however provided us with value adding opportunities to increase our gas and oil producing reserves base and early in October we completed the acquisition of approximately 240 billion cubic feet equivalent of reserves in the Wildcat Hills region of Alberta.

Interest and tax in joint ventures and associates in the second half of 2010 is expected to be around the same level as in the first half given current profit expectations. The Group's interest charge is expected to be slightly over £200 million and at the end of the third quarter net debt stood at £3.0 billion, with margin cash held by counterparties of £300 million. Based on current estimates of the mix of profits we expect the Group's effective tax rate for financial year 2010 to be around 37%.

The disposal of our Spanish business, Centrica Energía was completed in early November, while the sales process for our Dutch business, Oxxio, is ongoing.

In September, we announced the appointment of Ian Meakins as a Non-Executive Director of the company. Mr Meakins is Chief Executive of Wolseley plc, the FTSE 100 heating, plumbing and building materials distributor.

Centrica is due to release its Preliminary Results for 2010 on 24 February 2011.

Enquiries:

Centrica Investor Relations 01753 494900

Centrica Media Relations 0800 107 7014