

Preliminary Results

For the year ended 31 December 2010



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 JVs & associates net of interest & taxation (except adjusted operating profit which includes JVs and associates gross of interest and taxation) and are before depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items & certain re-measurements.

Sir Roger Carr Chairman

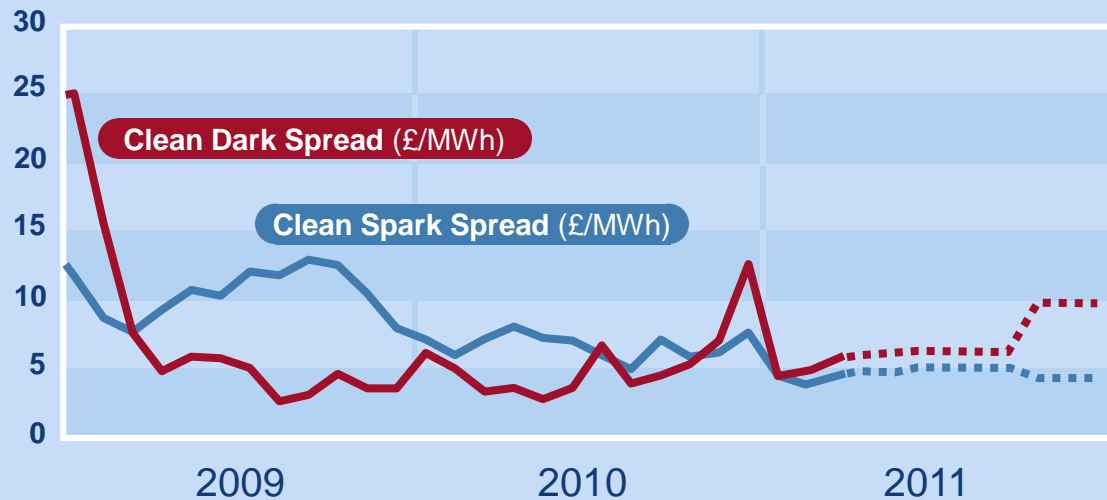
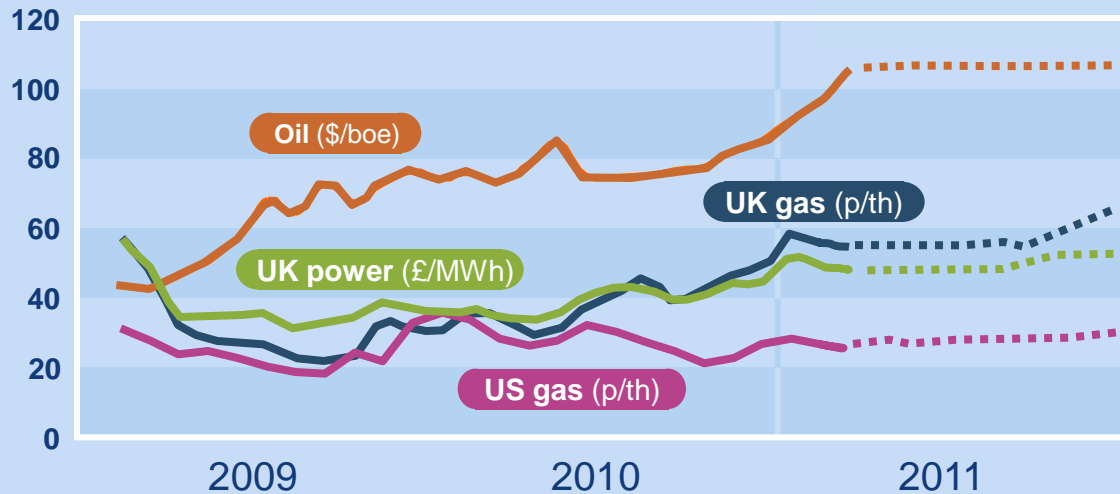


Nick Luff

Group Finance Director



Commodity prices and spreads



As at 23 February 2011

Financial headlines

Year ended 31 December	2010	2009
CONTINUING OPERATIONS:		
Revenue (£m)	22,423	21,963
Adjusted operating profit (£m)	2,390	1,857
Net interest expense (£m)	265	179
Effective tax rate	37%	33%
GROUP RESULT:		
Earnings (£m)	1,297	1,111
Earnings per share (p)	25.2	21.7
Full year dividend per share (p)	14.3	12.8

Above figures include share of JVs & associates stated net of interest & 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 & 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)	2010	2009
Downstream UK	1,216	1,011
Upstream UK	771	525
Storage UK	169	168
North America	234	153
ADJUSTED OPERATING PROFIT	2,390	1,857
Share of JV / associates' interest and taxation	(78)	(11)
Other	-	(5)
Depreciation of FV uplifts to property, plant and equipment	(118)	(27)
GROUP OPERATING PROFIT	2,194	1,814

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

Operating profit analysis – Downstream UK

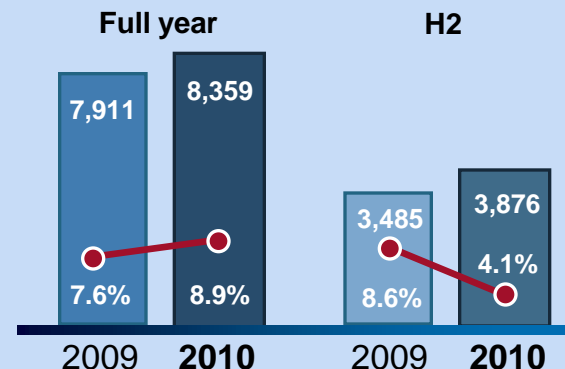
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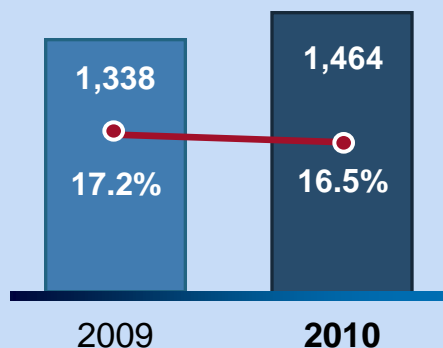
Downstream UK: operating profit & key drivers

Year ended 31 December (£m)	2010	2009
Residential energy	742	598
Residential services	241	230
Business	233	183
DOWNSTREAM UK	1,216	1,011

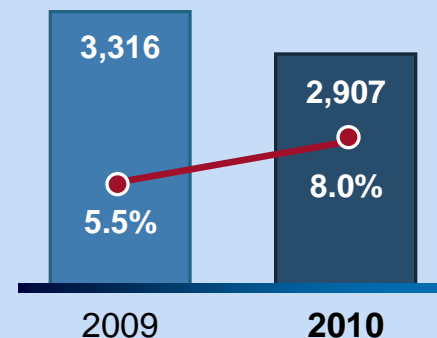
Residential energy revenue (£m) and margin (%)



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



Business revenue (£m) & margin (%)



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Operating profit analysis – Upstream UK

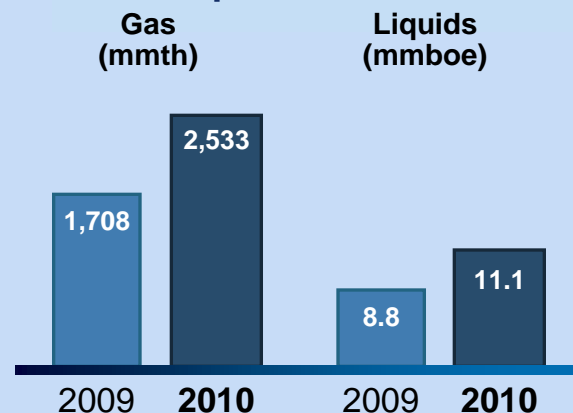
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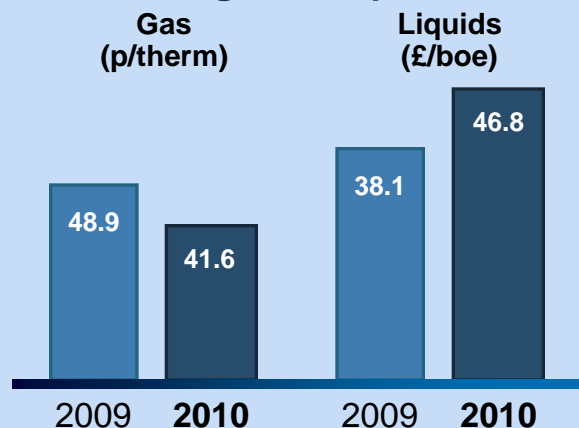
Upstream UK: operating profit & key drivers

Year ended 31 December (£m)	2010	2009
Upstream gas and oil	581	444
Power generation	226	147
I&C	(36)	(93)
Energy trading	-	27
UPSTREAM UK	771	525

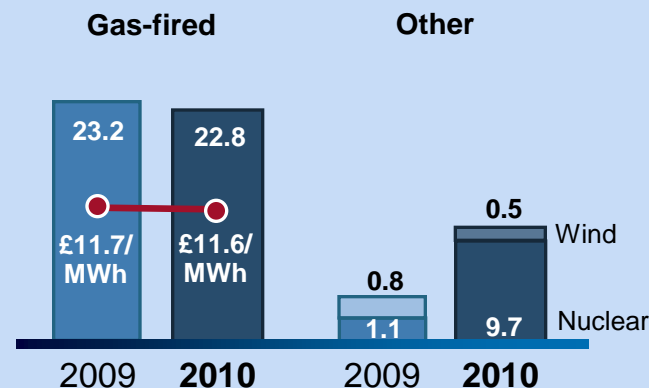
Gas & oil production volumes



Average sales price



Power generation volumes (TWh) and achieved clean spark spreads (£/MWh)



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Operating profit analysis – Storage UK

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Operating profit analysis – North America

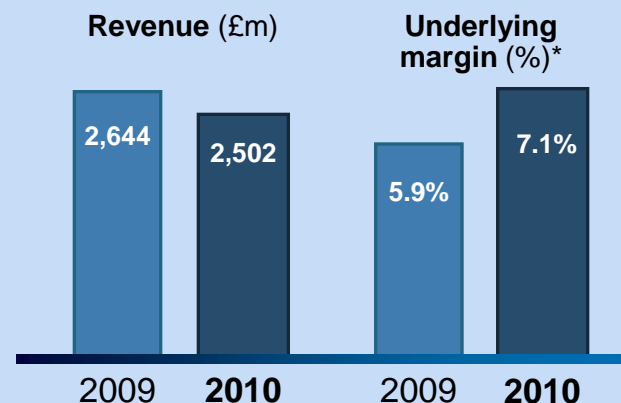
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2009 North America operating profit includes one-off charges of £61 million

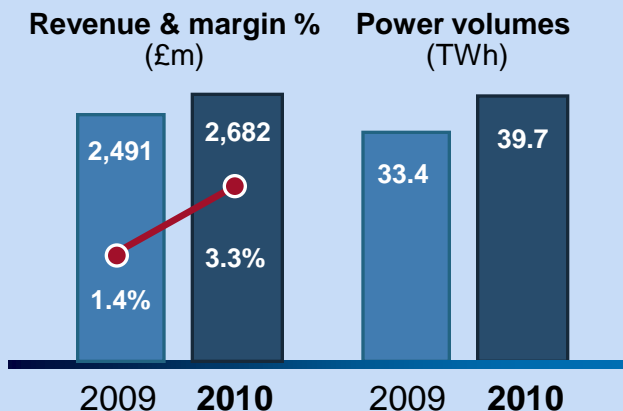
North America: operating profit & key drivers

Year ended 31 December (£m)	2010	2009
Residential energy	177	94
<i>underlying performance</i>	177	155
<i>one-off charges</i>	-	(61)
Business energy	88	34
Services	15	18
Upstream & Wholesale	(46)	7
NORTH AMERICA	234	153

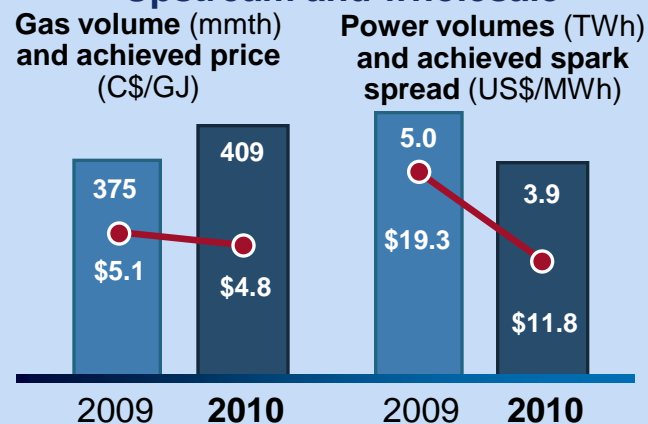
Residential energy



Business energy



Upstream and wholesale



Above figures include share of joint ventures and associates stated before interest and taxation, and before other costs and depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements

* Excludes one-off charges of £61m in 2009

Cash flow

Year ended 31 December (£m)	2010	2009
OPENING NET DEBT	(3,136)	(511)
EBITDA	3,188	2,559
Working capital movements	(252)	419
Margin calls	467	(79)
Interest and tax	(819)	(700)
Net capex	(1,669)	(4,011)
Dividends	(668)	(635)
Pension deficit payments	(308)	(206)
FX / Other	(115)	28
CLOSING NET DEBT	(3,312)	(3,136)
<i>Margin cash held / (pledged) within net debt</i>	<i>(173)</i>	<i>(631)</i>

Capital and acquisition expenditure

Year ended 31 December (£m)	2010	2009	2011e**
UK upstream gas	475	333	700
UK upstream power	233	177	450
North America	87	103	100
UK gas storage	63	55	50
Europe	4	121	-
British Gas	150	112	150
Other	35	30	50
Total pre-acquisitions	1,047	931	1,500
Acquisitions / disposals*	622	3,080	
TOTAL	1,669	4,011	

* Major items in acquisitions / disposals in 2010 include acquisitions of Trinidad LNG assets (£247m), Clockwork (£111m), Wildcat Hills (£218m), an additional stake in Staffjord (£66m) and the disposal of Centrica Energía (-£29m)

** Latest guidance for 2011

UK Upstream power includes investment in JVs for NNB and windfarm developments

Balance sheet

- Strong balance sheet position
- £475m bond buy-back completed, improving debt maturity profile
- £308m additional contributions to pension schemes in 2010

31 December (£m)	2010	2009
Capital employed¹	9,575	9,306
Mark to market² / tax / other	(205)	(1,350)
Pensions	(239)	(565)
Net debt	(3,312)	(3,136)
Net assets	5,819	4,255

Above figures include JVs & associates net of interest & taxation and are before exceptional items & certain re-measurements

1.Excludes cash allocated to business segments and corporate centre cash assets

2.Derivative financial instruments held for energy procurement

Exceptional items and certain re-measurements

Year ended 31 December (£m)	2010
Provision for onerous gas procurement contract	(35)
Impairment of North American gas assets	(67)
Provision for North American wind PPA	(67)
Impairment of UK power generation assets	(68)
UK contract re-negotiation and restructuring costs	(43)
Impairment of gas E&P assets / profit on disposal	(3)
EXCEPTIONAL ITEMS	(283)
Net re-measurements*	1,163
EXCEPTIONAL ITEMS AND CERTAIN RE-MEASUREMENTS	880

For further details refer to note 7 of the preliminary accounts

* From continuing operations

Summary and outlook

2010

- Strong financial and operational performance
 - good progress downstream and upstream
 - EPS up 16% to 25.2p
- Good downstream performance; lower profits in second half due to rising wholesale energy prices
- Higher upstream volumes and excellent drilling success
- Significantly improved performance in North America

Outlook for 2011

- More challenging conditions downstream
- Upstream positioned to benefit from higher commodity prices
- £1.5 billion organic capex programme in 2011

Sam Laidlaw Chief Executive



Performance overview

Strong operational and financial result

EPS ↑ 16%

Downstream UK growth underpinned by customer service and competitive pricing

Op profit ↑ 20%

Enlarged **Upstream UK** business; strong production and drilling success

Op profit ↑ 47%

North American performance significantly improved

Op profit ↑ 9%

Strong cash flows and targeted investment to drive future growth

DPS ↑ 12%

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North America operating profit excludes one-off charges of £61m in 2009

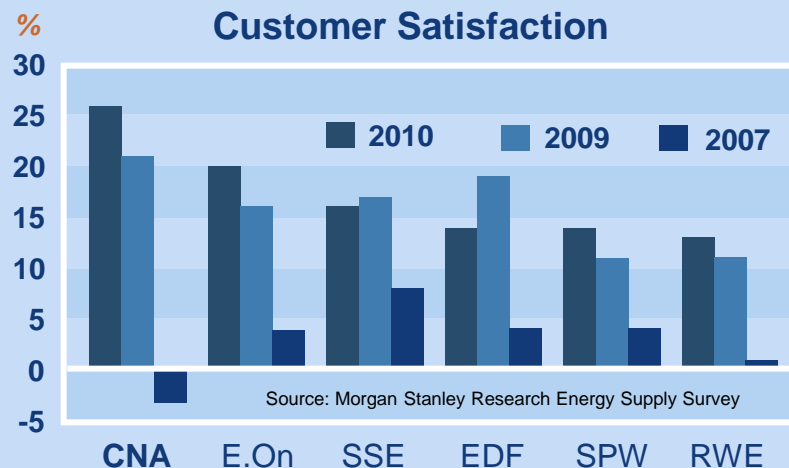
Our Strategic Priorities

- 1 Grow British Gas**
... leading the transition to low carbon homes and businesses
- 2 Deliver value from our growing upstream business**
... securing sustainable energy for our customers
- 3 Build an integrated North American business**
... with leading positions in deregulated markets
- 4 Drive superior financial returns**
... through operating performance and our investment choices

energy for a low carbon world

Grow British Gas

- Strong residential energy performance
 - market leading price reduction in February 2010
 - further NPS improvement
 - retained first place in Morgan Stanley Energy Supply survey
- 121k increase in joint energy and services customers
- New partnership with Nectar and Sainsbury's energy
 - 750k customers registered on Nectar to date



Accounts ('000)	Dec 10	Dec 09	Change
Residential energy	15,978	15,711	+267
Residential services	8,718	8,453	+265
Business energy	1,044	1,047	-3
Total	25,740	25,211	+529

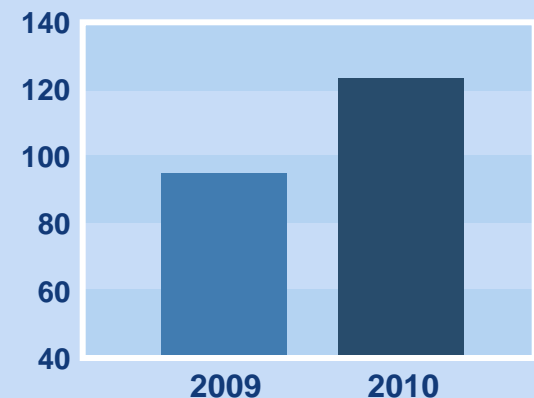
Grow British Gas

British Gas Services

- Continued growth in services customer accounts
- Service delivery and value
 - over 6m customers accounts now insurance based
 - agreement with engineers to improve service flexibility
- Record breakdown call outs during exceptionally cold weather
 - reached up to 35,000 customers per day
 - breakdowns 25% higher in December 2010 than December 2009
- Domestic installation volumes up 30%
 - competitive pricing
 - improved lead conversion



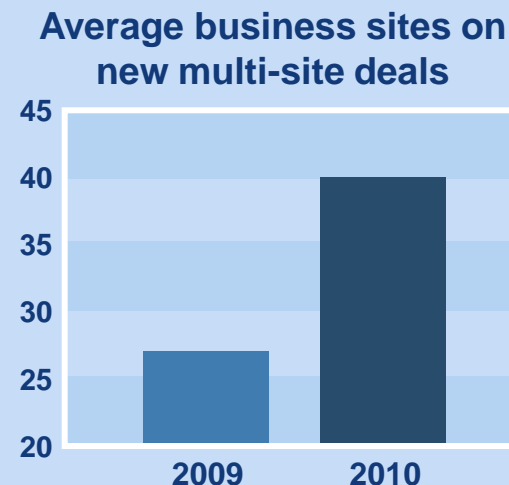
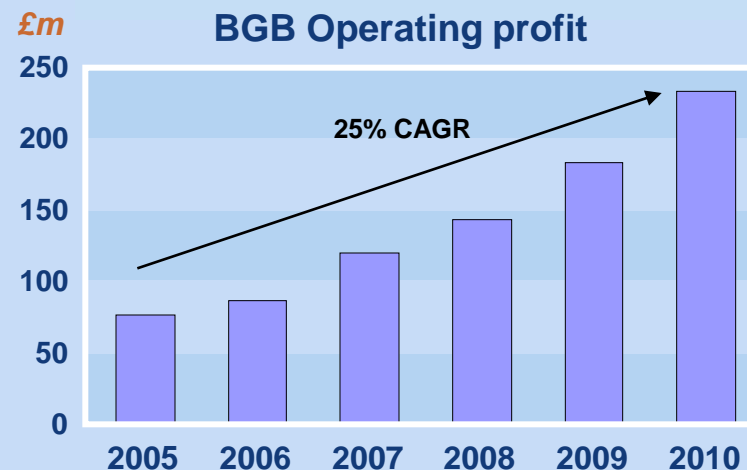
Domestic Installation volumes ('000)



Grow British Gas

British Gas Business

- Continued growth in Business energy
 - profitability up 25% on average over past five years
 - success of volume-to-value segmental growth strategy
- SME customer retention remains high
 - service tailored to customer requirements
- Growth in multi-site segment
 - further increase in average number of sites on new multi-site deals
- Acquisition of Connaught gas and electricity services business



Grow British Gas

New Energy

- Green deal 'go early' strategy
- 64 million tonnes of CO₂ reduction delivered under CERT to date, worth £1.1bn
- Over 250,000 smart meters installed
- Acquisitions to build capabilities
 - new technologies (Cool Planet)
 - specialist insulation (Hillserve, ECL)
 - home energy management (AlertMe)
- Social housing
 - commercial agreement with Mears
- Transforming the energy sector
 - developing a business model for a low carbon world



Deliver value from our growing upstream business

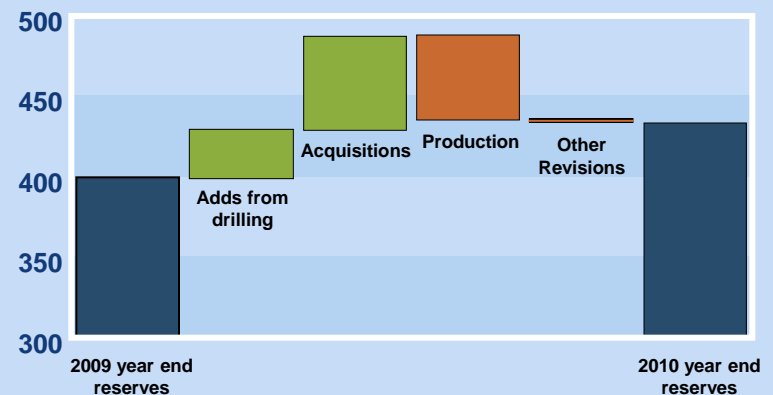
Gas and oil production

- Successful integration of Venture
 - capabilities transformed
- Total production volumes up 43%
- Production replacement of 163%
 - excellent drilling success; Trinidad and Statfjord acquisitions
- 23 LNG cargoes delivered in 2010
- 3 year gas supply agreement with Qatargas
 - 2.4 million tonnes per annum (c.10% of UK residential demand)
 - delivery via Centrica capacity at Isle of Grain terminal
- £450m investment approved for York and Ensign



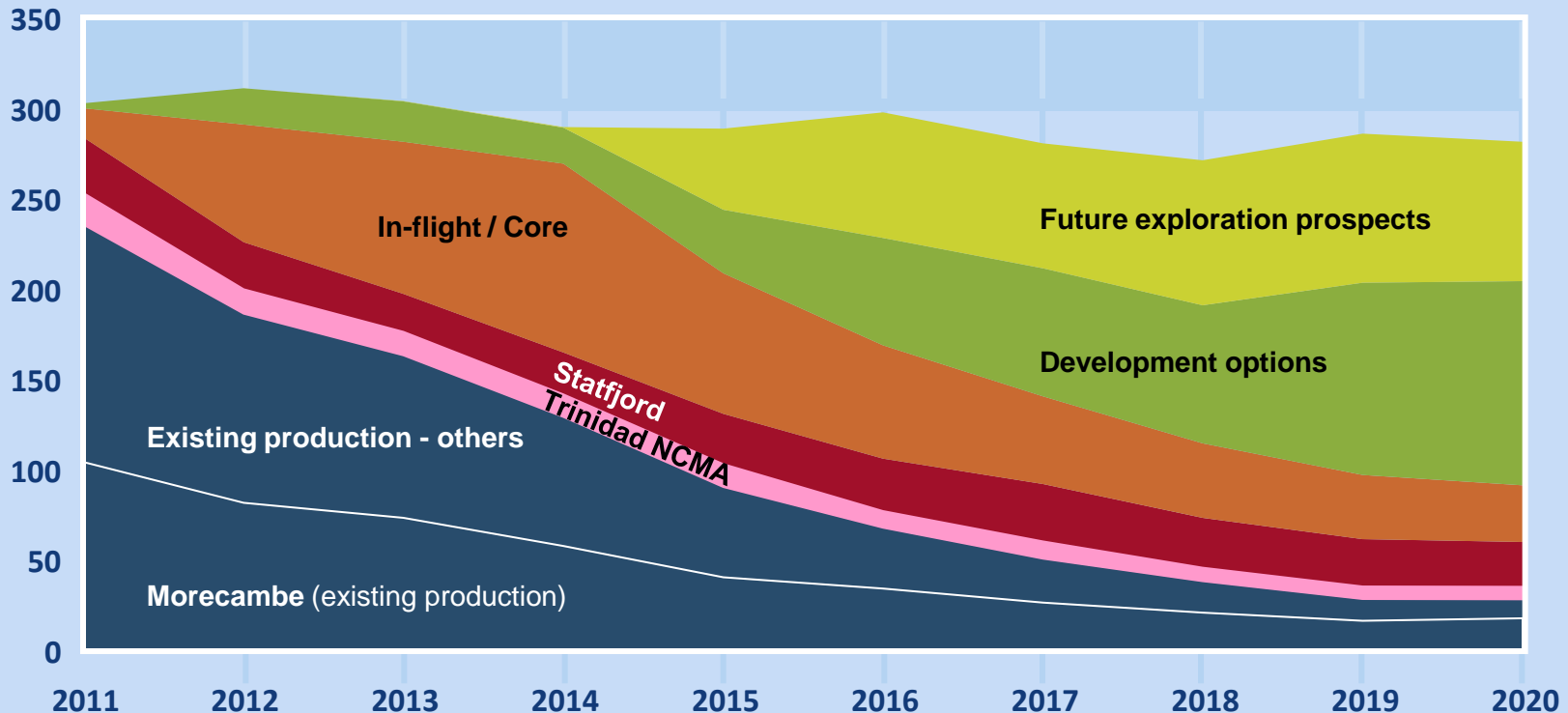
Morecambe platform

mboe Movement in reserves 2009 to 2010



Deliver value from our growing upstream business

Production (bcfe)



In Flight / Core – key projects already in development or expected to be approved in 2011 for development in the next three years e.g. Cygnus, Ensign, York

Development Options – longer term investment options, yet to be approved for development e.g. Peik, Kew, Fogelberg

Future Exploration Prospects – development options resulting from future exploration successes – risked, assuming c.30% chance of success on average

Deliver value from our growing upstream business

Power generation

- Continued strong CCGT and wind availability
 - Langage power station in full commercial operation
 - strong optimisation performance
- British Energy well positioned to take advantage of increase in power prices
 - life extensions for Hartlepool and Heysham 1
 - continuing progress on NNB; FID for Hinkley Point expected in 2012
- All major contracts awarded on Lincs 270MW offshore wind project
 - onshore works progressing
- Engaging closely with government on EMR

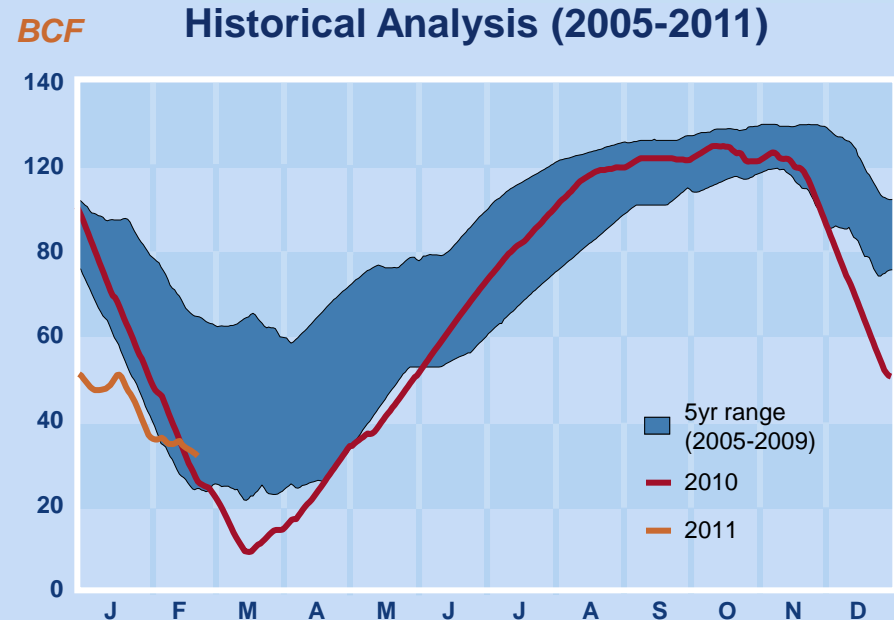


Langage power station

Deliver value from our growing upstream business

Storage

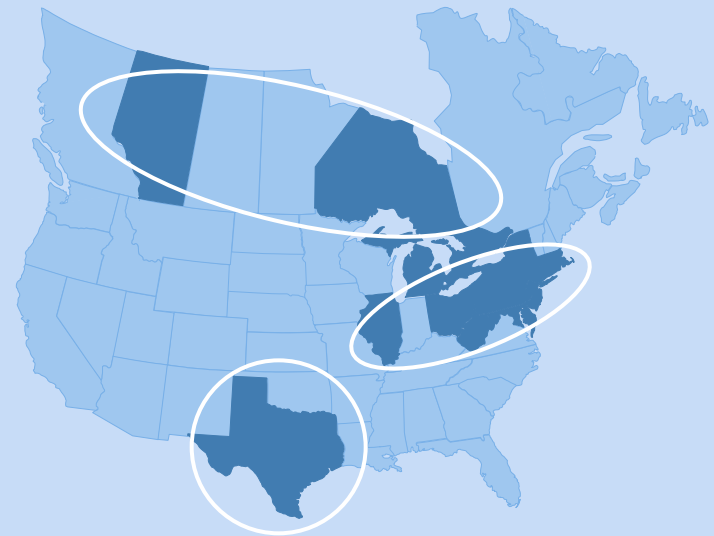
- Excellent operational performance at Rough
 - record demand in Q1 2010
 - record injection season
 - unusually high levels of demand in Q4 2010
- Narrowing of summer/winter spreads
- Caythorpe project remains on hold
- Work continues on Baird
 - FID expected later in 2011



Build an integrated North American business

Residential energy supply

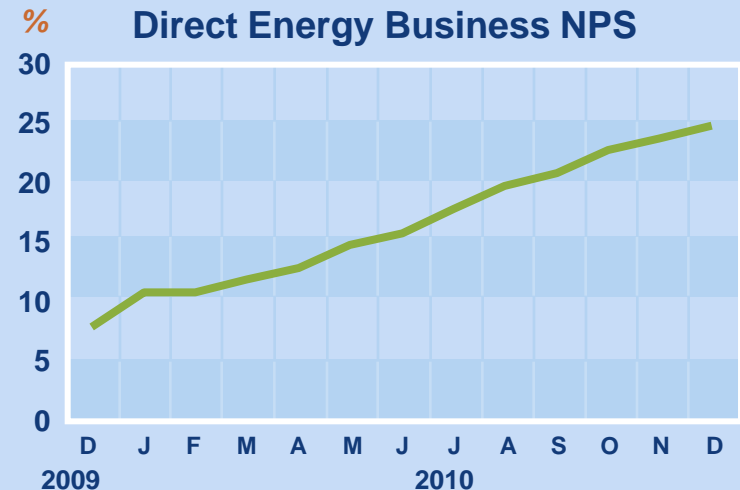
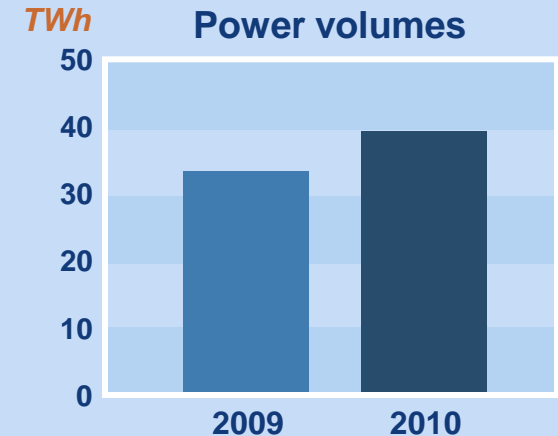
- Strong downstream performance
- Operational improvements
 - higher customer retention in Texas
 - reduction in bad debt
 - Texas prepaid offering launched
 - operating margin improved to over 7%
- Successful entry into new territories in US North East
 - over 100,000 customers in Pennsylvania and Maryland
 - attrition of low value blocks of customers
- Difficult regulatory environment in Ontario



Build an integrated North American business

Business energy supply

- Very strong performance in 2010
- Electricity volumes up 19%
- 3rd largest C&I supplier in North America
- Continued focus on:
 - growing volume in most attractive customer segments
 - customer service
 - operational efficiencies
 - entering new markets
 - salesforce productivity
 - disciplined approach to pricing
- Operating margin improved to over 3%



Build an integrated North American business

Services

- Clockwork integration progressing well
 - materially enhances scale of the business
 - 1m on-demand customers per annum
 - robust platform for growth through established franchise model



Clockwork

Upstream

- Continued low gas and power price environment
- Wildcat Hills acquisition adds 241bcfe of reserves
 - c.35% of customer gas demand met by own production



Wildcat Hills

Drive superior financial returns

2010 summary

- Substantial profit growth in 2010
 - operating profit up 29%
 - EPS up 16%
- Dividend up 12%

Outlook

- Competitive market conditions in UK downstream energy supply
- Positioned for growth across much of the rest of the Group
- Well placed for the future
 - balanced business model
 - strong organic cash flows and strong balance sheet
 - £1.5bn capex programme for 2011
 - targeted investment options upstream and downstream