



Centrica plc

Preliminary Results

For the year ended 31 Dec 2006



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.



Chairman

Roger Carr

Group Finance Director

Phil Bentley

Financial headlines

Year ended 31 December	2006		Δ
Turnover (£m)	16,450	▲	22%
Operating profit (£m)	1,442	▼	(5%)
Tax charge (£m)	543	▲	23%
Earnings (£m)	715	▲	8%
Earnings per share (p)*	19.4	▲	7%
Total dividend per share (p)	11.15	▲	6%

A solid financial result against a very difficult backdrop

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

** Includes discontinued operations; all other figures are from continuing operations*

Operating profit analysis

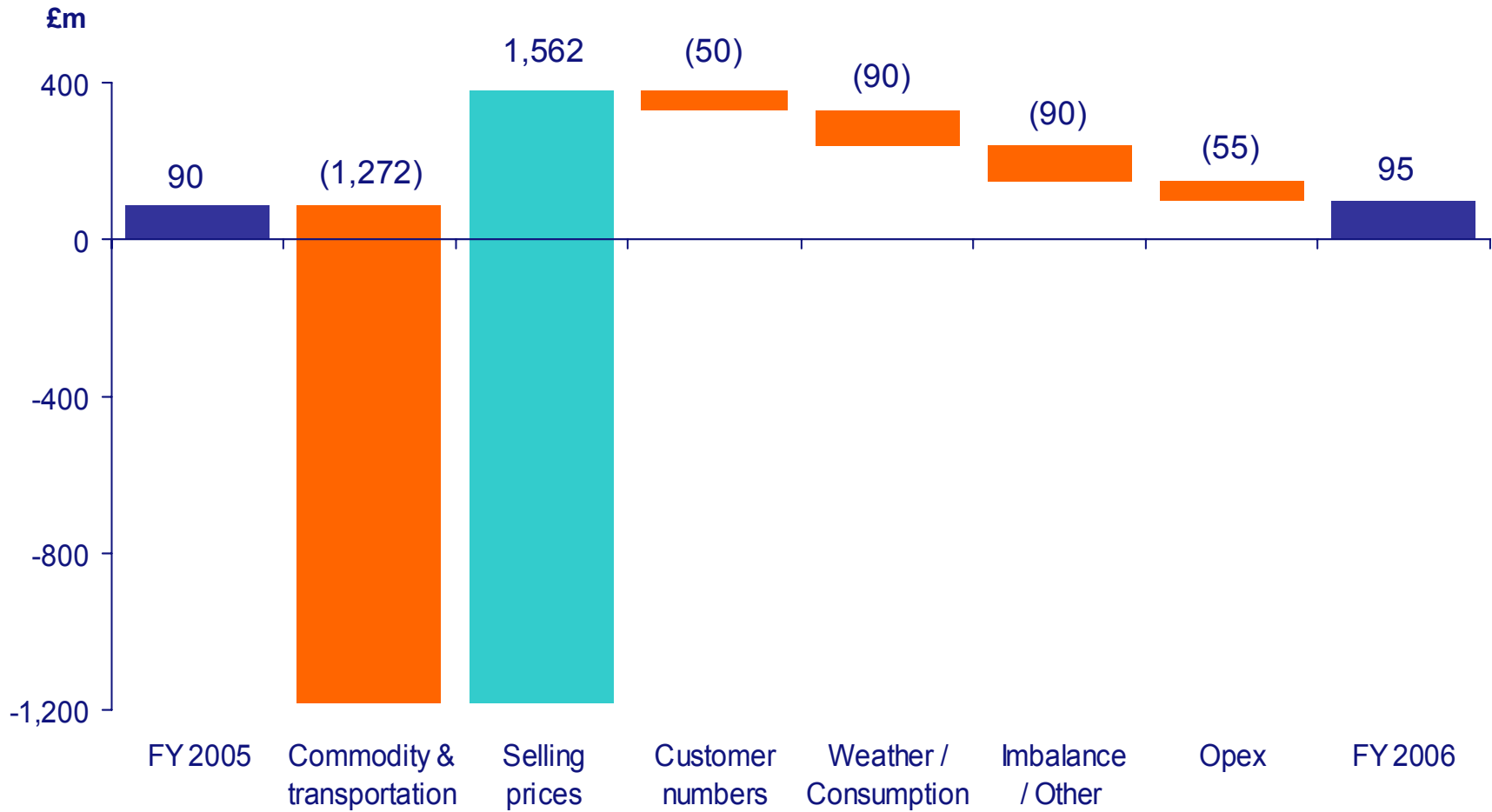
Year ended 31 December, £m	2006	2005	Δ£m	Δ
British Gas Residential	95	90	5	6%
Centrica Energy	686	903	(217)	(24%)
British Gas Business	87	77	10	13%
Centrica Storage	228	154	74	48%
British Gas Services	102	111	(9)	(8%)
North America	223	185	38	21%
Europe	7	(9)	16	nm
Other	14	2	12	nm
Total operating profit	1,442	1,513	(71)	(5%)

Strong 2nd half BGR result in '06 (£238m); provides momentum for '07

Above figures are for continuing businesses, including JVs & associates stated net of interest & taxation, before exceptional items & certain re-measurements

British Gas Residential

Operating profit*: causal track



Operating profit analysis

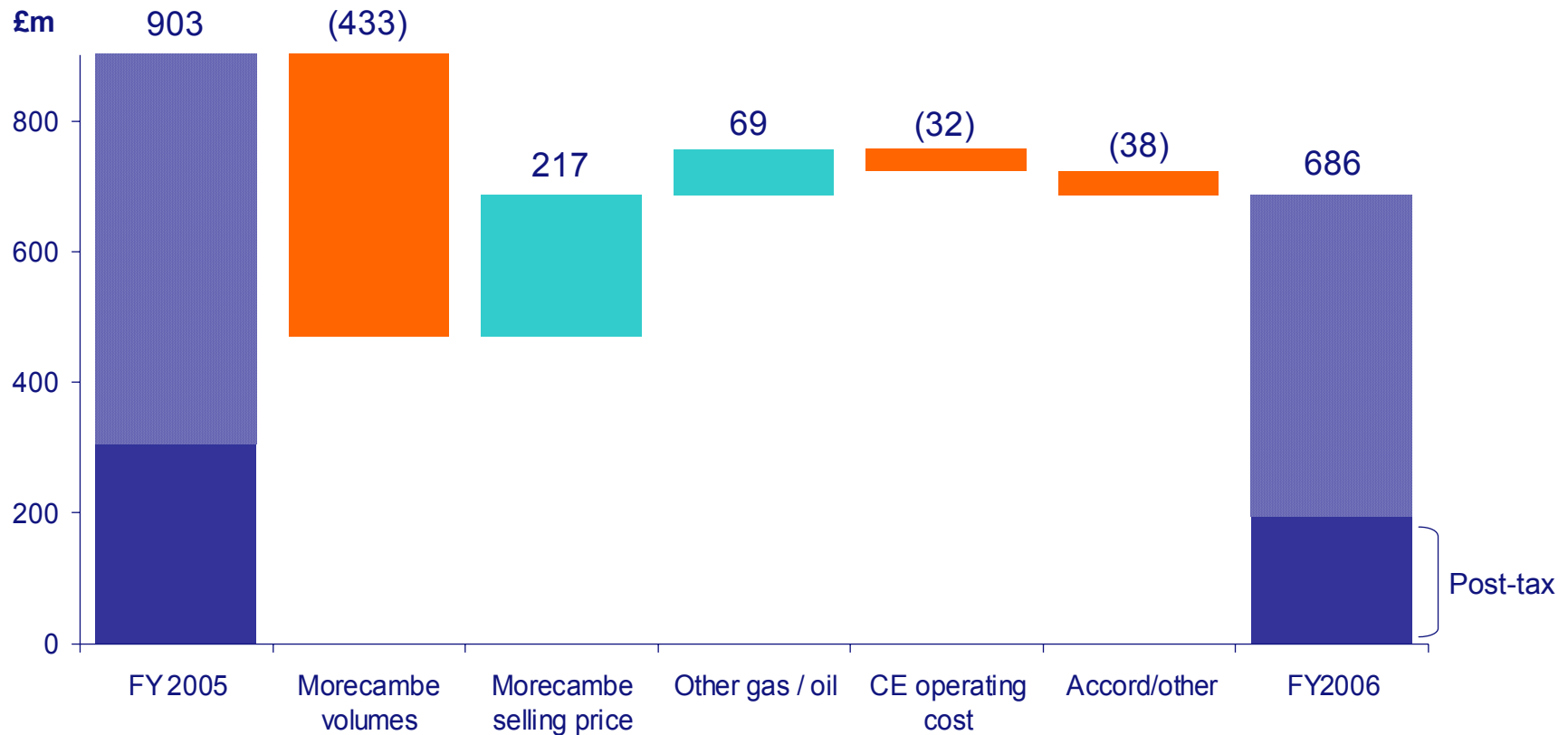
Year ended 31 December, £m	2006	2005	Δ£m	Δ
British Gas Residential	95	90	5	6%
Centrica Energy	686	903	(217)	(24%)
British Gas Business	87	77	10	13%
Centrica Storage	228	154	74	48%
British Gas Services	102	111	(9)	(8%)
North America	223	185	38	21%
Europe	7	(9)	16	nm
Other	14	2	12	nm
Total operating profit	1,442	1,513	(71)	(5%)

Centrica Energy was impacted by lower gas production volumes

Above figures are for continuing businesses, including JVs & associates stated net of interest & taxation, before exceptional items & certain re-measurements

Centrica Energy

Operating profit*: causal track



* Including JVs & associates stated net of interest & taxation, before exceptional items & certain re-measurements

Operating profit analysis

Year ended 31 December, £m	2006	2005	Δ£m	Δ
British Gas Residential	95	90	5	6%
Centrica Energy	686	903	(217)	(24%)
British Gas Business	87	77	10	13%
Centrica Storage	228	154	74	48%
British Gas Services	102	111	(9)	(8%)
North America	223	185	38	21%
Europe	7	(9)	16	nm
Other	14	2	12	nm
Total operating profit	1,442	1,513	(71)	(5%)

Growth businesses contributed 45% of operating profit

Above figures are for continuing businesses, including JVs & associates stated net of interest & taxation, before exceptional items & certain re-measurements

Operating profit analysis

Year ended 31 December, £m	2006	2005	Δ£m	Δ
British Gas Residential	95	90	5	6%
Centrica Energy	686	903	(217)	(24%)
British Gas Business	87	77	10	13%
Centrica Storage	228	154	74	48%
British Gas Services	102	111	(9)	(8%)
North America	223	185	38	21%
Europe	7	(9)	16	nm
Other	14	2	12	nm
Total operating profit	1,442	1,513	(71)	(5%)

Pension liabilities credit added 0.4p to EPS

Above figures are for continuing businesses, including JVs & associates stated net of interest & taxation, before exceptional items & certain re-measurements

Cash flow and net debt

£m	H1 2006	H2 2006	2006
Opening net debt (excluding non-recourse)	(1,060)	(1,909)	(1,060)
Total movement in net debt	(849)	382	(467)
Closing net debt (excluding non-recourse)	(1,909)	(1,527)	(1,527)
EBITDA	964	1,057	2,021
<i>Memo: Working capital</i>	(480)	465	(15)
<i>Memo: Margin Calls</i>	(339)	(138)	(477)
Net cash flow from operating activities*	(96)	833	737
Net cash flow before financing activities	(477)	494	17

Working capital position improved in second half

Key messages

- ❑ Solid set of financial results
- ❑ British Gas Residential moving firmly back in profit
- ❑ BGB delivered record turnover and profit
- ❑ BGS solid second half is a leading indicator for 2007
- ❑ Industrial and commercial contracts expected to be profitable in 2007
- ❑ North America underlying growth continues
- ❑ Positive financial outlook

Strong current returns on capital; growth prospects improving



Chief Executive

Sam Laidlaw

Business Update



We aim to be a leading integrated energy company committed to deliver top-quartile shareholder returns

My vision for Centrica

- ❑ A leading integrated energy company
- ❑ Focused on a few chosen markets
- ❑ Leveraging our strong brands and distinctive assets and capabilities to win in those markets

The structure of the energy market is changing....

- ❑ Falling gas and power prices
- ❑ Additional pipeline capacity to the UK
- ❑ Atlantic basin LNG position is developing
- ❑ National Oil Companies (NOCs) focusing on security of demand
- ❑ Growing consumer awareness of climate change
- ❑ European landscape is changing

....and Centrica is well positioned to take advantage

- ❑ Largest demand in biggest gas market in Europe
 - Best recognised energy brand in the UK

- ❑ Unrivalled contractual portfolio

- ❑ Upstream and midstream capabilities which set us apart
 - Enviable gas asset base around UK
 - A fleet of modern clean CCGTs
 - Owner of the UK's largest gas storage asset
 - A well developed trading platform in Accord

- ❑ Leading engineer deployment capability

- ❑ Unique experience of competitive energy markets

We are pursuing four priorities to improve our near-term performance and deliver long-term growth

- 1 Transform British Gas
- 2 Sharpen up the organisation and reduce costs
- 3 Reduce risk through increased integration
- 4 Build on our multiple growth platforms

Priority 1: Transform British Gas

Reduce costs and restore margins

- ❑ Established a competitive price point
- ❑ Continue to pass commodity costs to customers (up and down the curve) to achieve through-cycle margins above 5%
- ❑ Drive 'best-in-class' efficiency and productivity
- ❑ Reduce costs by £200m in 2007
 - Complete new systems roll-out
 - Offshored 2,250 jobs
 - Outsourced support structures
 - Closed BGR headquarters building
 - Wrote down £178m of redundant IT systems
- ❑ Cost base will be reduced further

Priority 1: Transform British Gas

Improve our customer offer and service levels

- ❑ Leader in new products
- ❑ First to announce tariff reduction
- ❑ New 1-year fixed product
- ❑ 'Essentials' tariff for vulnerable customers
- ❑ Key service metrics declined in 2006
- ❑ Call handling improved since summer
- ❑ 95% of customers migrated to new billing system

Priority 2: Sharpen up the organisation and reduce costs

Greater discipline, accountability, skills

- ❑ Tighter capital allocation framework
- ❑ Slimming down the corporate centre
- ❑ Greater accountability lower down the organisation
- ❑ Upskill in key areas
- ❑ Key management changes
 - New Group FD
 - New MD British Gas
 - New Corporate Affairs Director
- ❑ Rigorous talent management

Materially reduce costs

- ❑ Cost reduction opportunities well grounded and meeting expectations
 - ❑ Systematic tracking in place
 - ❑ Emphasis on delivering early results
- 
- ❑ Early results
 - Group HQ/corporate roles reduced
 - HR, Finance back office outsource
 - BG Services restructured
 - Direct Energy headcount reduction
 - ❑ Further opportunities
 - IS data centres and desktop outsourcing
 - Centrica Energy rationalisation
 - Supply chain review

Priority 3: Reduce risk through increased integration

Maintain a low carbon footprint and replenish our gas reserves

Build on our power generation position

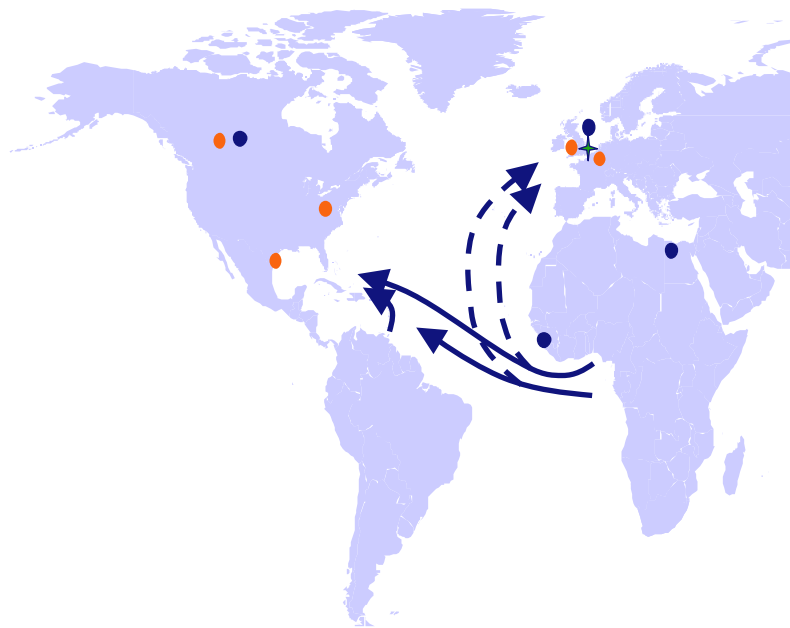
- ❑ Acquired 5GW of generation
- ❑ Won around 6m electricity customers in the UK
- ❑ Centrica has the lowest carbon intensity of major UK suppliers
- ❑ Coal advantage over gas rapidly being eroded
- ❑ Further investment in renewable generation capacity
 - Access to 190MW renewable capacity in the UK
 - Further 430MW in development

Opportunities in E&P

- ❑ Exploration targeted in well understood areas
 - Near-term in North Sea
 - Recent success in UK and Norway
 - Medium term in Egypt, Qatar, Nigeria, Algeria and Trinidad
- ❑ Establish partnerships outside the North Sea
 - Non-operatorship
- ❑ Avoid ultra-deep water, ice prone offshore, “frontier areas”

Priority 3: Reduce risk through increased integration

Become the downstream partner of choice for developing NOCs



- Centrica upstream gas positions
- Centrica downstream customers
- ✦ Centrica LNG Regasification

- ❑ Demand on both sides of Atlantic Basin
 - Provides pricing optionality
- ❑ NOCs hold rights to majority of undeveloped gas reserves
- ❑ LNG easily links supply and demand
 - Security of demand is the enabler
- ❑ Centrica is a long-term player with strong balance sheet
- ❑ Strong commercial and marketing skills
- ❑ Exchange downstream exposure for upstream positions

Priority 4: Build on our multiple growth platforms

British Gas Services

- ❑ Exploit the on-demand market
- ❑ Launch new propositions to meet specific customer segments
- ❑ Sell deeper into our energy customer base
- ❑ Deliver market-leading energy efficiency products
- ❑ Restructured to improve our customer service
 - 92% improvement in speed to answer
 - 94% reduction in calls abandoned
 - 56% reduction in appointments rescheduled
 - 41% fewer customer complaints

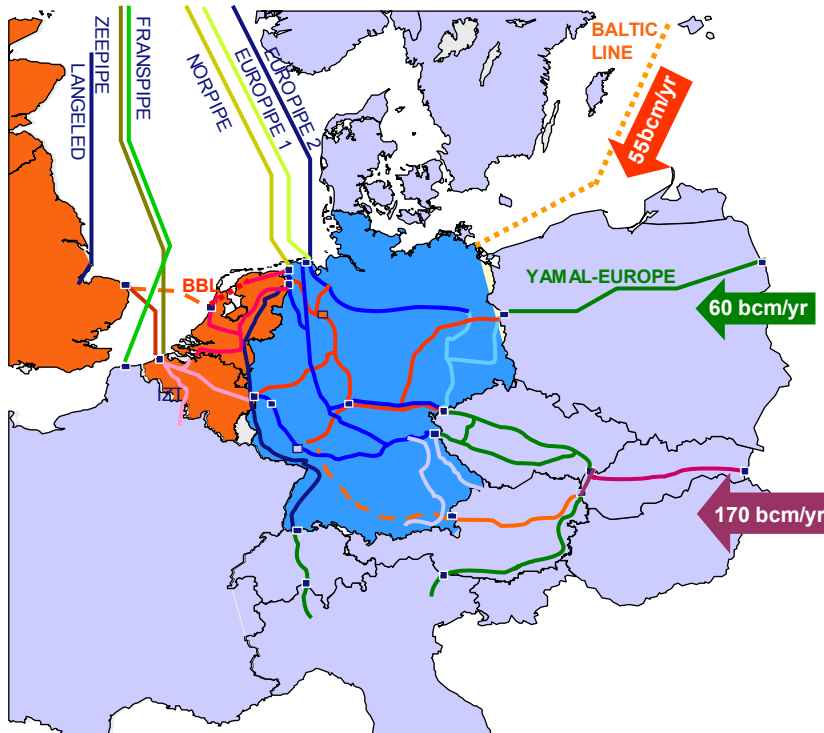
Priority 4: Build on our multiple growth platforms

British Gas Business

- ❑ Deliver differentiated customer service through named account managers
- ❑ Roll-out smart metering technology giving customers the ability to manage energy consumption
- ❑ Maintain levels of customer retention
- ❑ Innovate and then differentiate the customer offering
- ❑ Develop range of the sales channel

Priority 4: Build on our multiple growth platforms

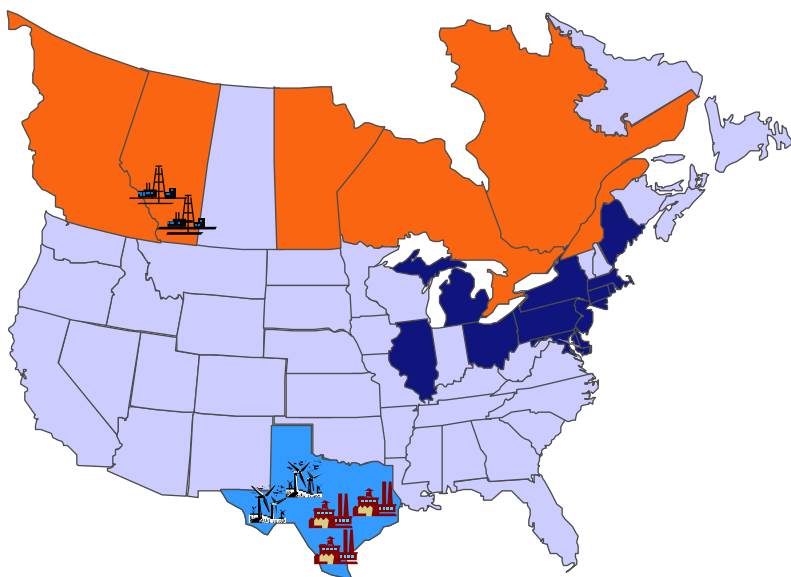
Grow in Western Europe along the gas supply routes



- We aim to build and optimise a NW European gas and power business to
 - Improve our long-term ability to secure gas supply for the UK
 - Capture opportunities arising from the liberalising European energy markets
- Recent achievements / events
 - Firmly profitable in 2006
 - SPE established as #2 player
 - Acquired gas transportation capacity rights in Holland and Belgium
 - Entered tolling agreement for Rijnmond new build in Holland

Priority 4: Build on our multiple growth platforms

Grow in North America and diversify group earnings



Retail Energy Sales: annual volumes

Canada: 7.3 BCM, 11 TWh

US North: 1.6 BCM, 3 TWh

Texas: 19 TWh



Gas Production: 0.3b therms



Power Generation: 1.3 GW



Wind Farms (PPAs): 0.6 GW

- North America adds to the Centrica portfolio
 - Diversifies UK market risk
 - Stabilises group earnings
 - Gas demand on both sides of the Atlantic to capture LNG opportunities

- We continued to strengthen our business in '06
 - Entered 12 new utility markets in US North
 - Added to Texas position
 - 9% headcount reduction

- We aim to grow in our existing markets
 - Grow retail energy and home services in current geographies
 - Gain greater access to upstream power
 - We will win through our marketing, services and energy management skills

Priority 4: Build on our multiple growth platforms

Become a leader in Energy Efficiency

- ❑ Growing consumer interest in Energy Efficiency provides an opportunity
- ❑ 1.5m Energy Savers reports completed in the UK
- ❑ British Gas is the biggest supplier of Green electricity
- ❑ Expansion of EEC can be delivered in-house
- ❑ Nationwide workforce in UK of 8,500 engineers, installing around 90k energy efficient boilers per annum
- ❑ In North America we install around 115k energy efficient HVAC and waterheater units per annum
- ❑ Leading deployment capability to offer customer focussed energy efficiency technology

Summary

- ❑ Centrica is well positioned in a changing energy market
- ❑ We aim to be a leading integrated energy company in our chosen markets
- ❑ We are committed to delivering top quartile shareholder returns by
 - Transforming British Gas
 - Sharpening up the organisation and reducing costs
 - Reducing risk through increased integration
 - Building on our multiple growth platforms