

# Centrica plc

## INTERIM RESULTS

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for the period ended 30 June 2008



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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.



ROGER CARR

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CHAIRMAN

LANGAGE POWER STATION - DEVON





# NICK LUFF

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## FINANCE DIRECTOR

CENTRICA STORAGE TERMINAL - EASINGTON

# Commodity price graphs



# First half 2008: Financial headlines

<b>Period ended 30 June (£m)</b>	<b>2008</b>	<b>2007</b>
Revenue (£m)	10,032	8,570
Operating profit (£m)	992	1,226
Profit before tax (£m)	994	1,198
Total effective tax rate	58%	34%
Earnings (£m)	416	786
Earnings per share (p)	11.3	21.4
Interim dividend per share (p)	3.9	3.35

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

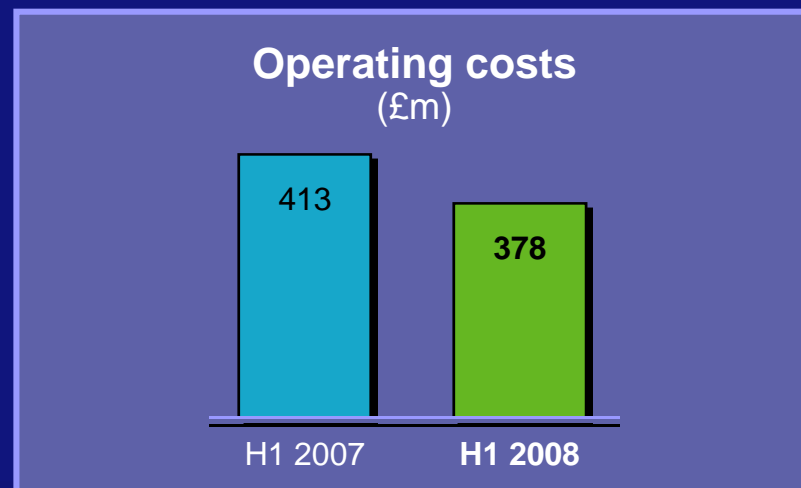
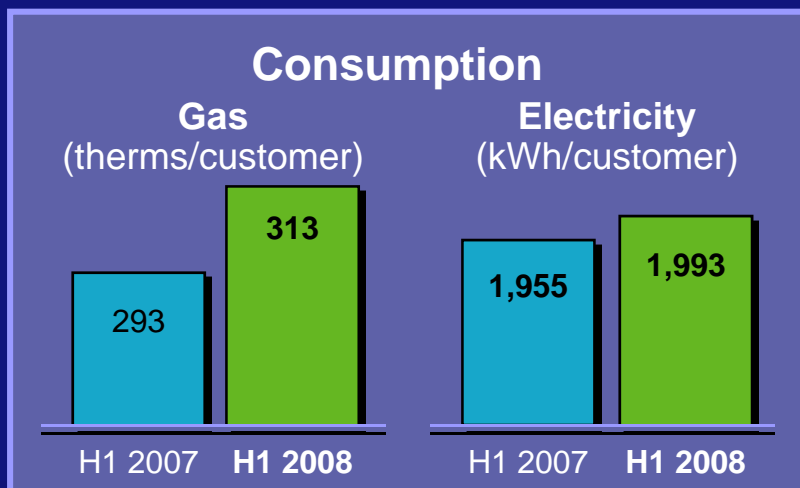
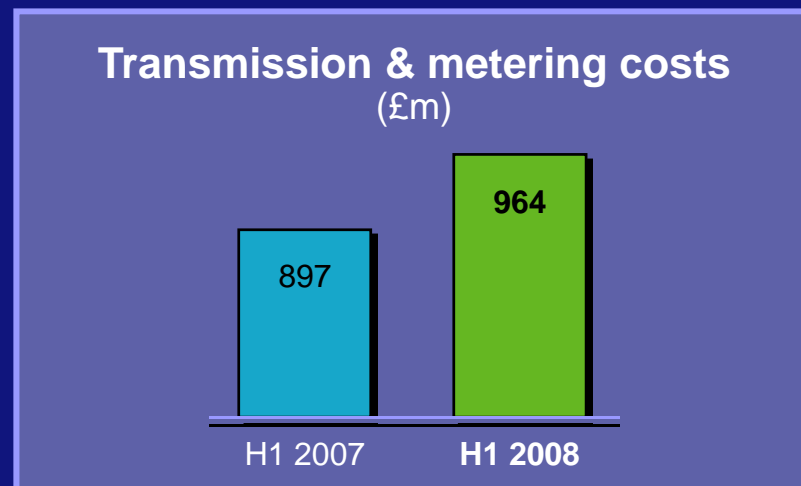
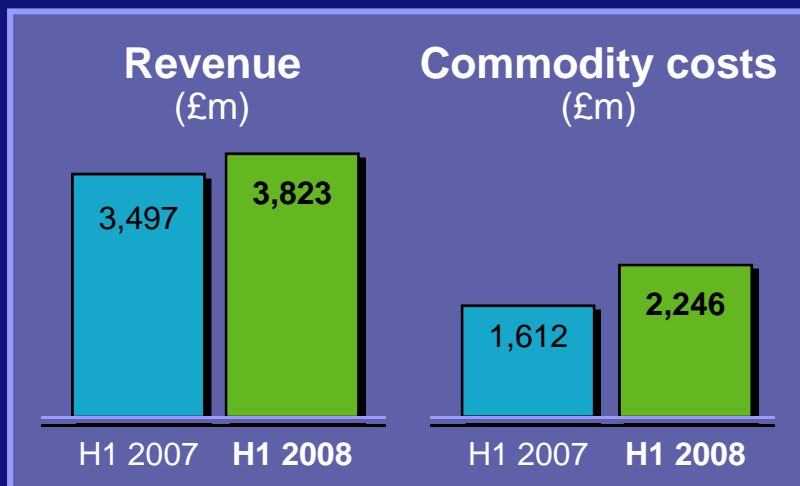
# Operating profit analysis

Period ended 30 June (£m)	2008	2007
British Gas Residential	166	533
Centrica Energy	504	337
British Gas Business	55	48
Centrica Storage	93	128
<b>UK Energy</b>	<b>818</b>	<b>1,046</b>
British Gas Services	85	63
Direct Energy	91	110
Europe	(1)	11
Other	(1)	(4)
<b>Total operating profit</b>	<b>992</b>	<b>1,226</b>

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# British Gas Residential

## Operating profit: key drivers





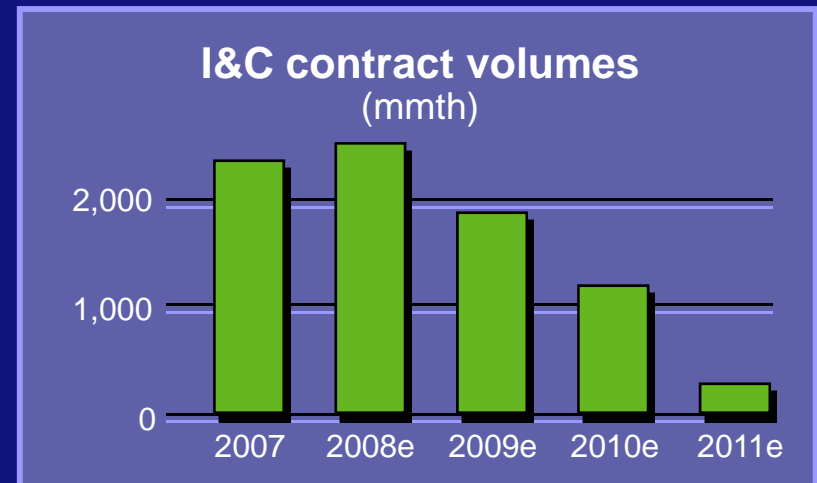
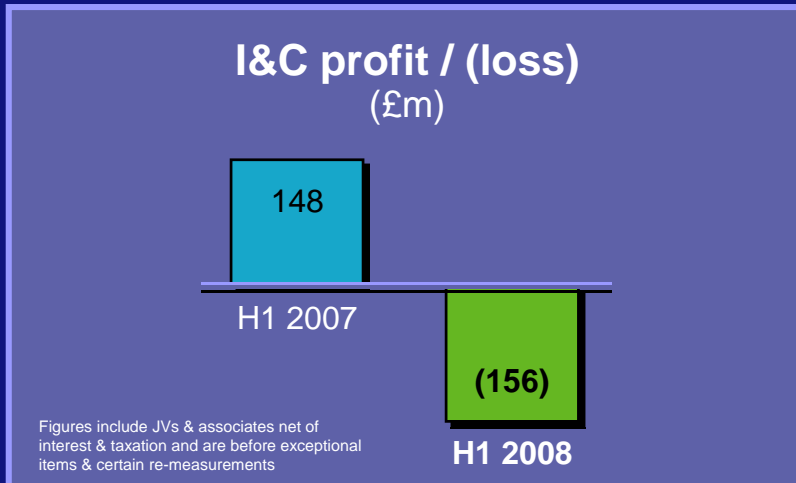
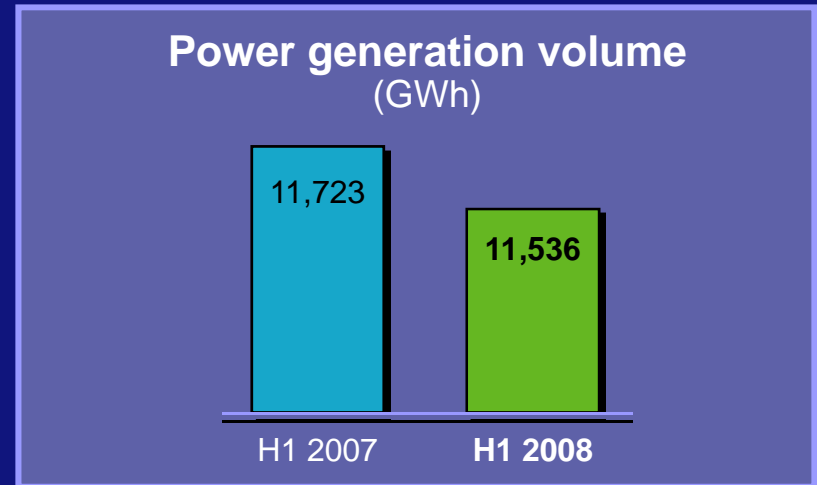
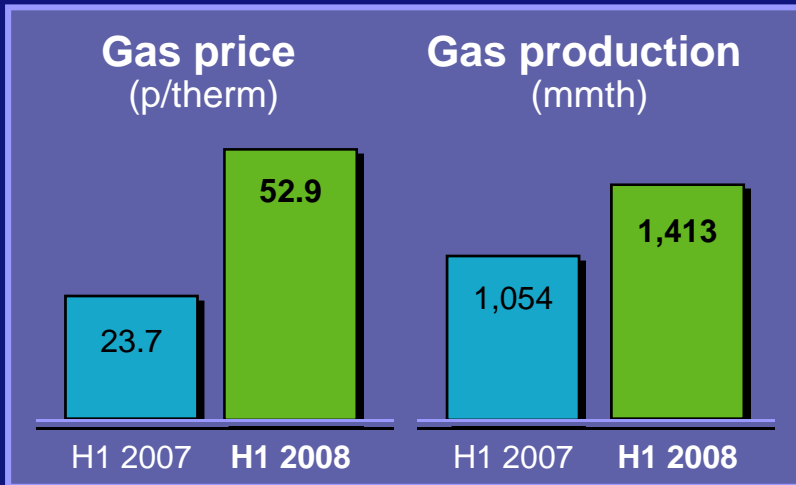
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# Centrica Energy

## Operating profit: key drivers



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# Cashflow

<b>Period ended 30 June (£m)</b>	<b>2008</b>	<b>2007</b>
<b>Opening net debt</b>	<b>(795)</b>	<b>(1,527)</b>
<b>EBITDA</b>	<b>1,304</b>	<b>1,503</b>
Working capital movements	(551)	(109)
Margin calls	1,063	(89)
Interest and tax	(313)	(92)
Gross capex	(550)	(360)
Dividends	(356)	(294)
Disposals / other	(76)	26
<b>Total movement in net debt</b>	<b>521</b>	<b>585</b>
<b>Closing net debt</b>	<b>(274)</b>	<b>(942)</b>
<i>Margin cash held / (pledged)</i>	<i>1,069</i>	<i>(111)</i>



# Capital and acquisition expenditure

(£m)	H1 2008	FY 2008
<b>Upstream gas</b>		
- growth	32	150
- maintenance	7	50
<b>UK power</b>		
- conventional	119	200
- wind	88	200
<b>Direct Energy</b>	49	130
<b>Other</b>	42	120
<b>Total pre-acquisitions</b>	<b>337</b>	<b>850</b>
<b>Acquisitions to date</b>	<b>183</b>	<b>782</b>
<b>Total</b>	<b>520</b>	<b>1,632*</b>
<b>ROCs / emissions</b>	<b>30</b>	<b>250</b>

\* Excludes future acquisitions

# Summary

- Good results in base business
- Growth businesses performing strongly
- I&C profit reversal weighed on earnings
- Retail tariff increase reflecting higher wholesale prices
- Balance sheet remains robust
- Full year in line with expectations



**SAM LAIDLAW**  
**CHIEF EXECUTIVE**

BARROW OFFSHORE WIND FARM

# Priorities



# Priorities

1 Transform British Gas

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- 1 Transform British Gas
- 2 Sharpen the organisation and reduce costs

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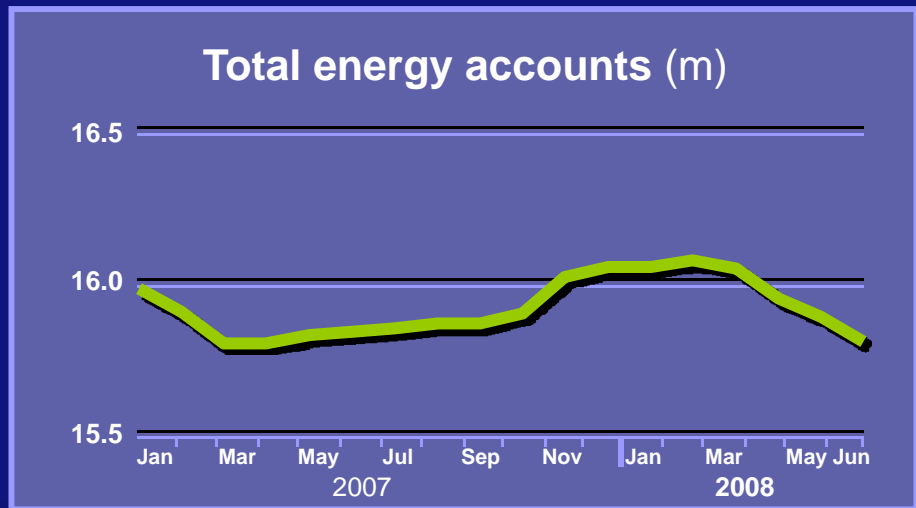
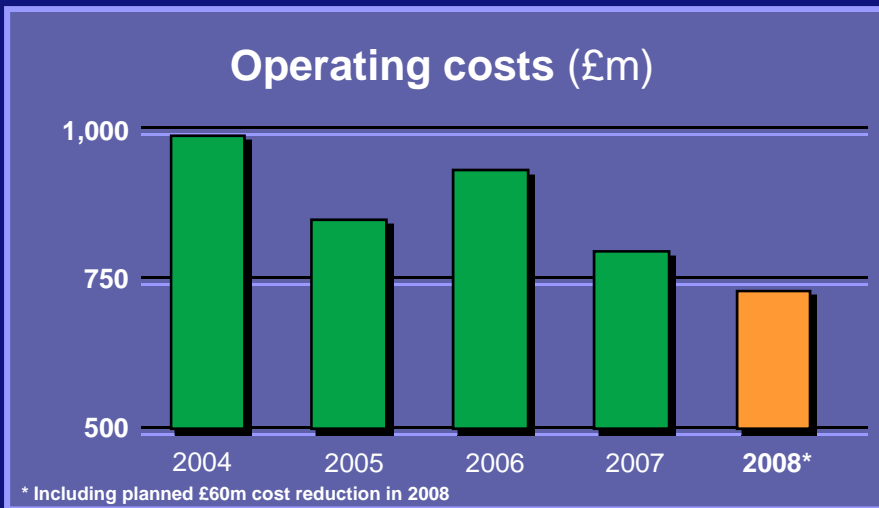
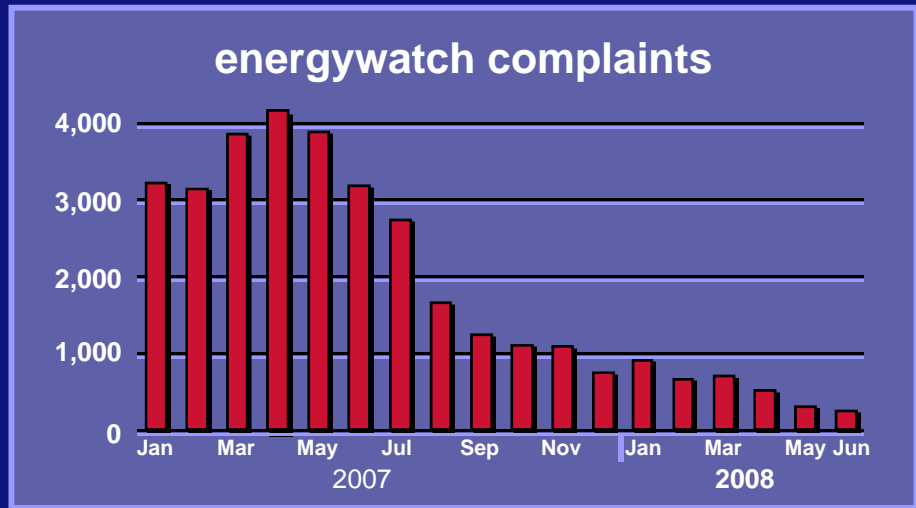
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- 2 Sharpen the organisation and reduce costs
- 3 Reduce risk through increased integration

# Priorities

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

# 1 Transform British Gas

- Further improvements in customer service
- On track for £60 million cost reduction in 2008
- Ongoing activities to retain customers



# 1 Transform British Gas

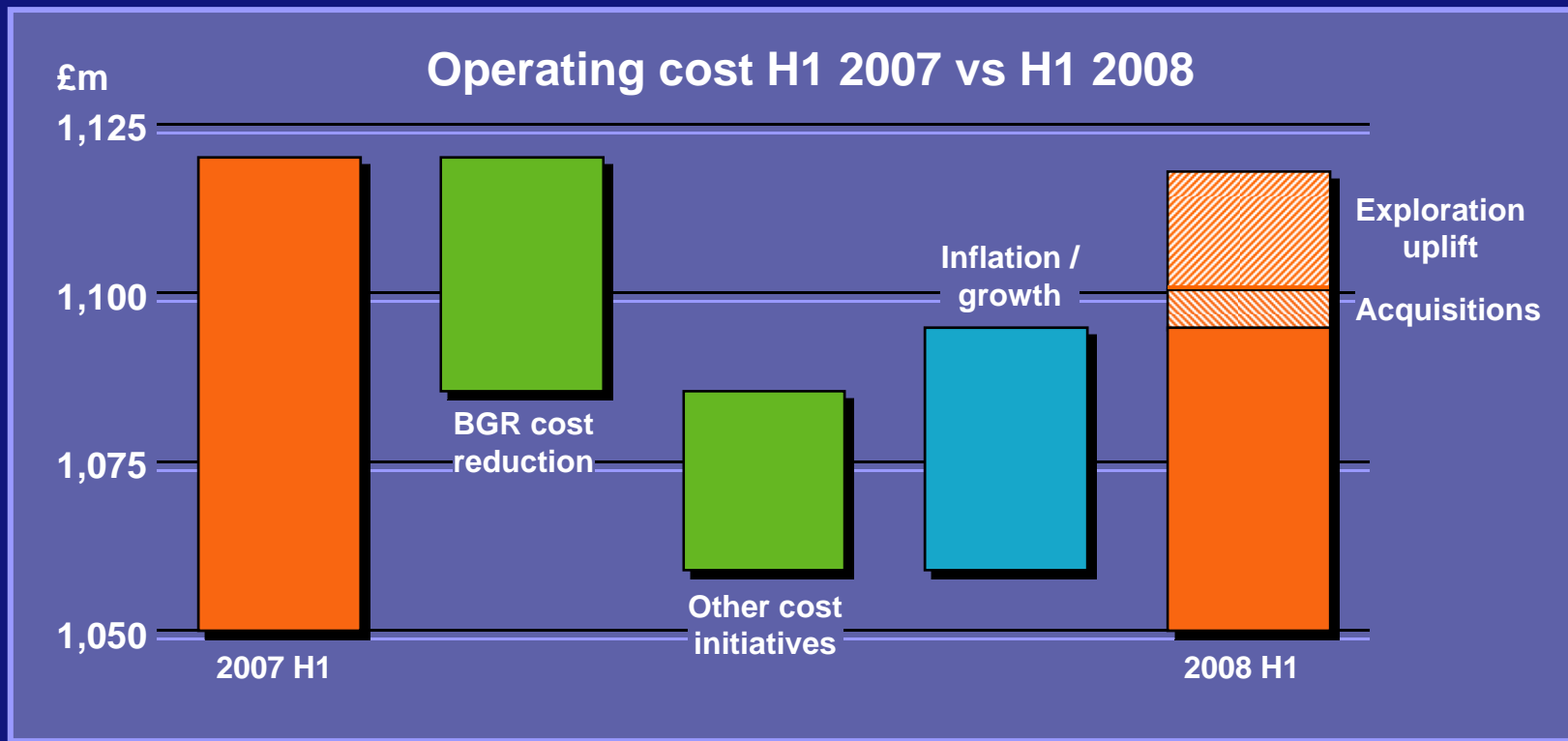
## Mitigating impact of rising prices

- Market leading fixed price product until 2011
- Delayed impact on vulnerable Essentials tariff
- Pay As You Go dual fuel discount
- Launched Energy/Insulation bundle
- Revamped online Energy Savers Report
- Tracker product remains available



## 2 Sharpen the organisation and reduce costs

- Group like-for-like costs down, absorbing high industry inflation

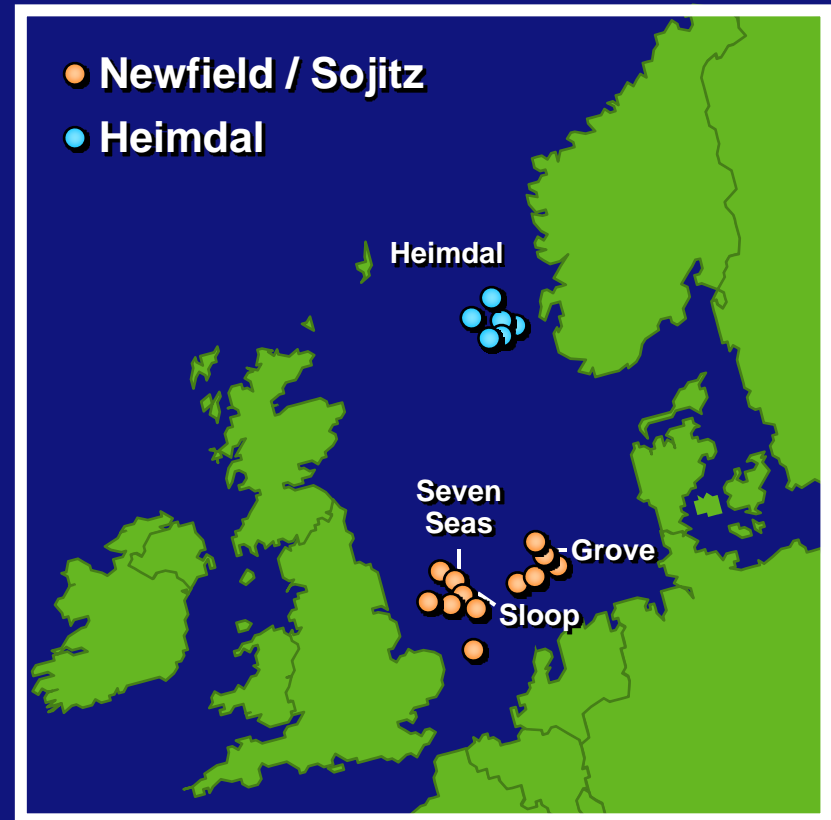




# 3 Reduce risk through increased integration

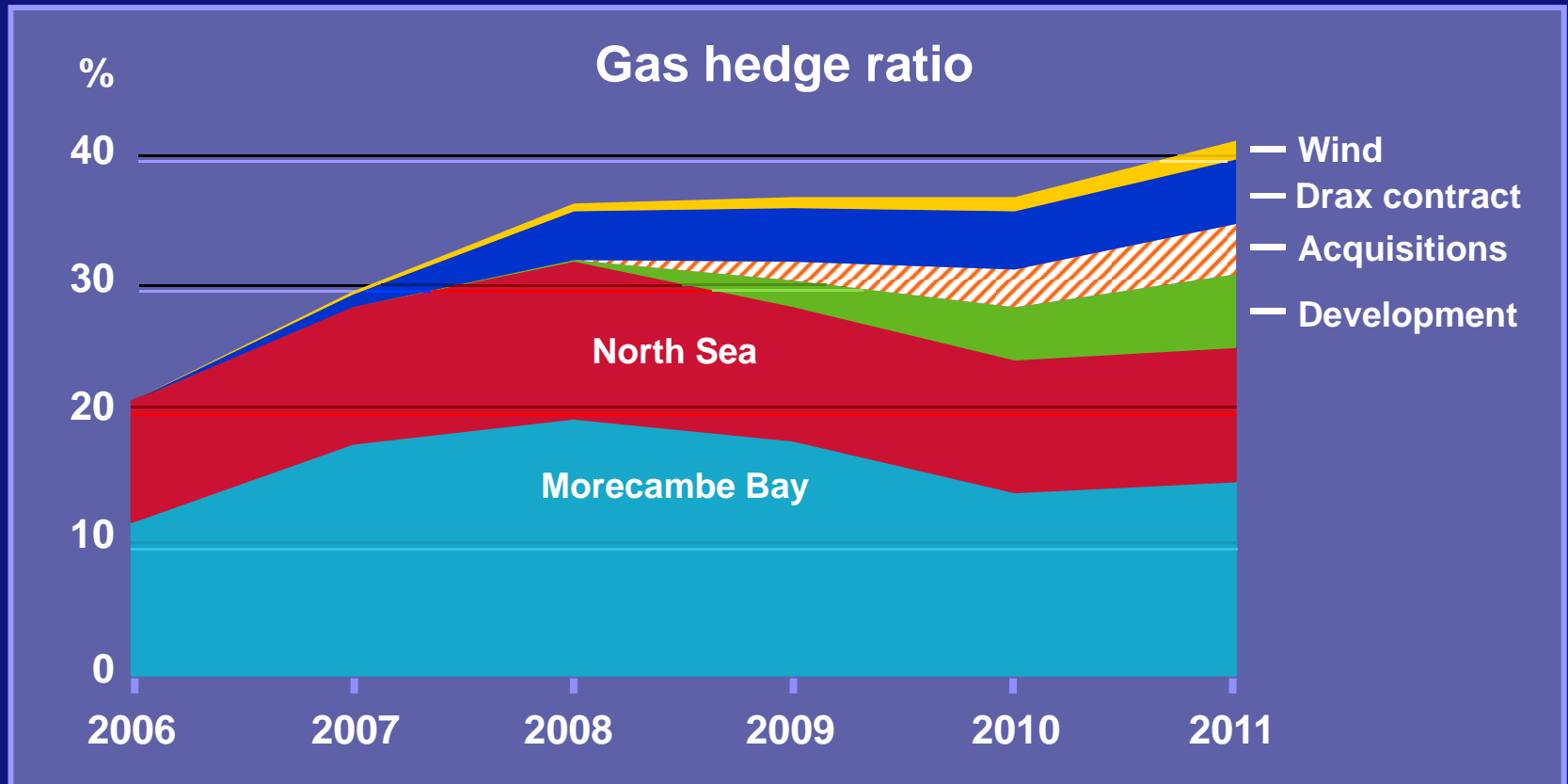
## Gas progress

- Acquired Heimdal assets in Norwegian sector of the North Sea
- Added 165bcfe to the portfolio
- A mix of production, development and exploration prospects
- Recently committed £800 million to gas assets
- Recent deals added 500bcfe to reserves
  - over 2 years production
- Converting contingent reserves into producing



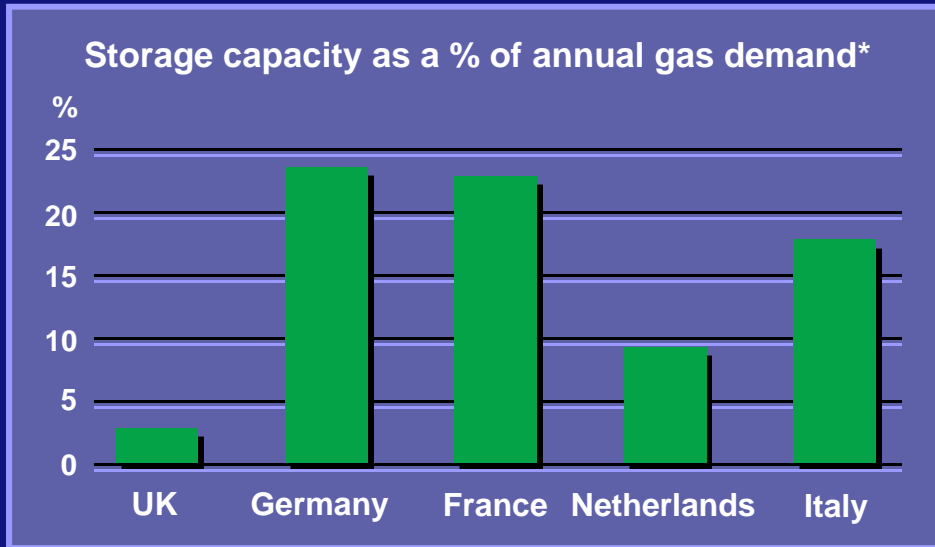
# 3 Reduce risk through increased integration

## Gas progress



# 3 Reduce risk through increased integration

## UK Storage progress



\* Source: Development in European Natural Gas Consumption 2006-2007 and Gas Infrastructure Europe

	Bains	Rough
Size (bcf)	15-20	120
Injection (days)	60	175*
Withdrawal (days)	60	76
Number of cycles	3.0	1.4

\* Increased injection capability due to new compressors



# 3 Reduce risk through increased integration

## Renewables

### UK context

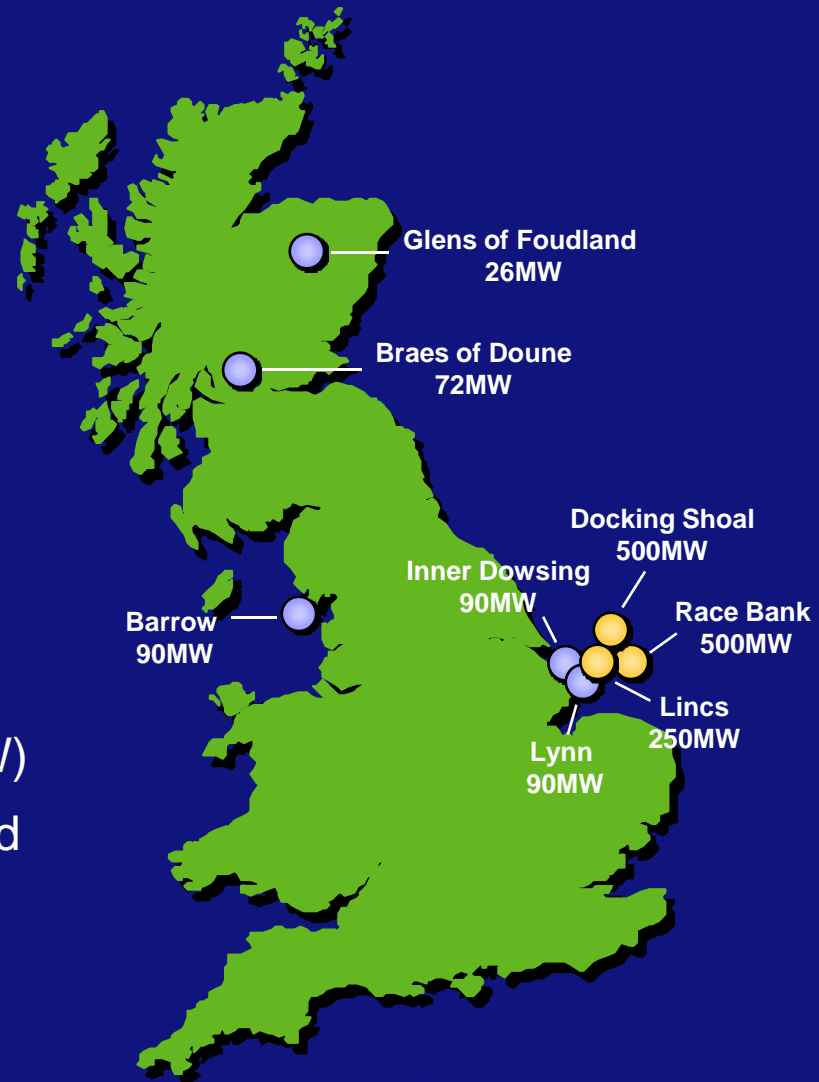
- 15% of energy from renewables by 2020
  - translates to 30-35% electricity

### Current portfolio

- 5 wind farms, 378MW
- Load factors: offshore 41%, onshore 30%

### Pipeline

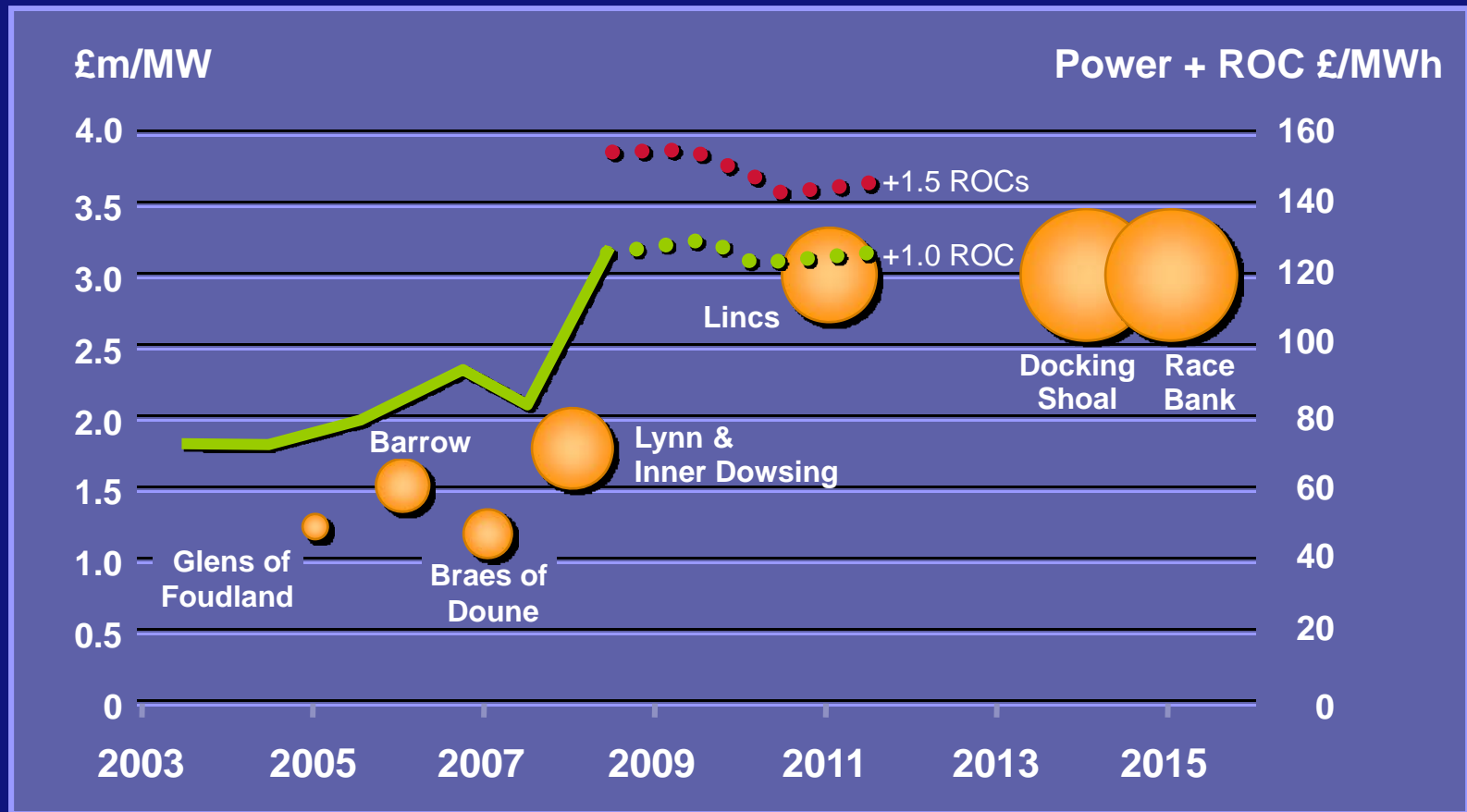
- A pipeline of 1.25GW
- Planning consent sought on Lincs (250MW)
- Early stage planning for Docking Shoal and Race Bank (1GW)
- Potential to refinance the assets



# 3 Reduce risk through increased integration

## Renewables

- Sharp increase in construction costs offset by higher revenues

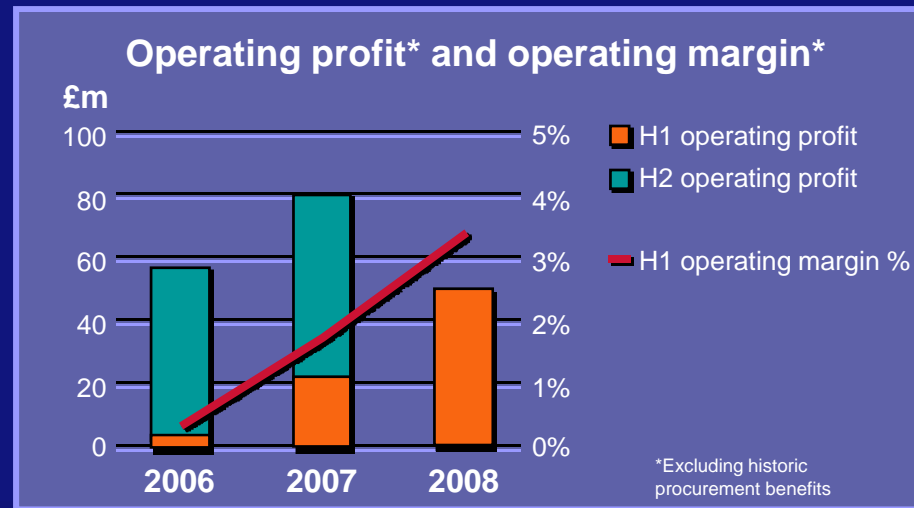
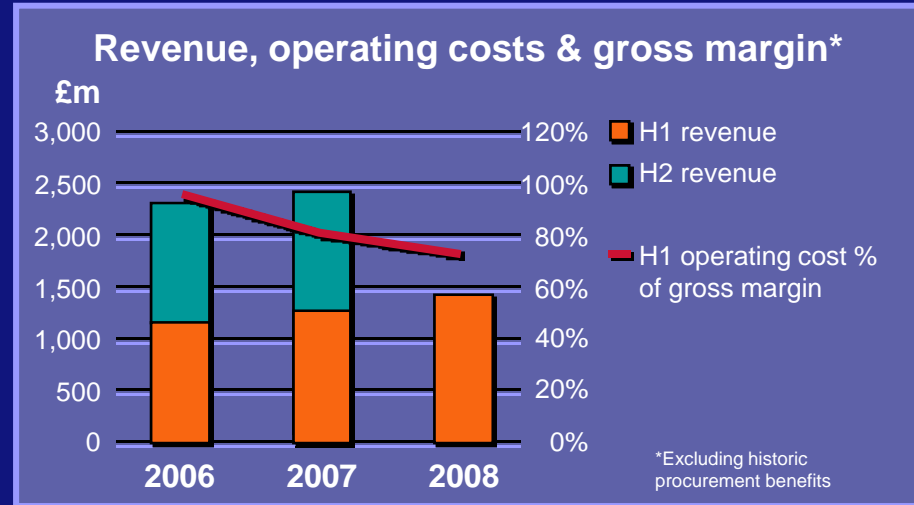


# 4 Build on our growth platforms

## British Gas Business

### Continued Growth Prospects

- Raise share of £20bn UK energy business market from 12%
- Grow dual-fuel product holding
- Launch energy services products to address £2bn market

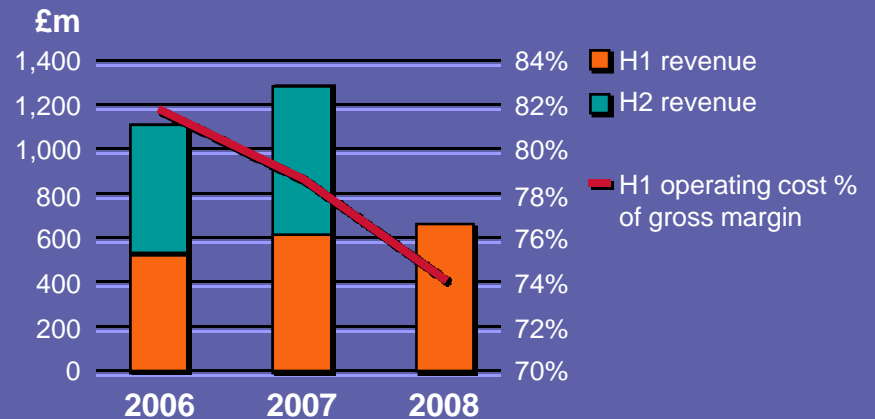


# 4 Build on our growth platforms

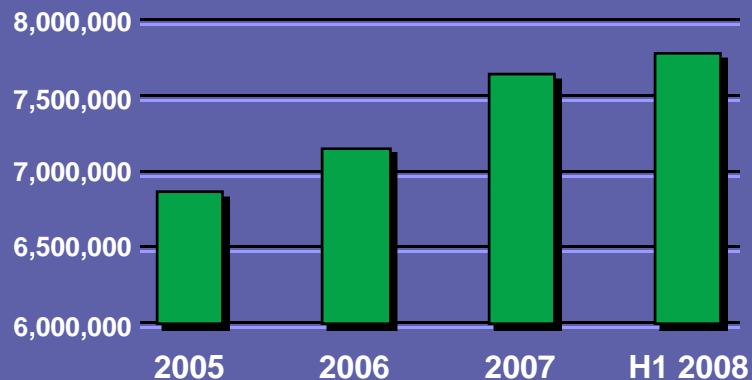
## British Gas Services

- Another period of strong customer growth
- Launched 2 new products
- Bundled proposition with British Gas to enhance loyalty of high value customers
- Installation business has increased market share and profitability

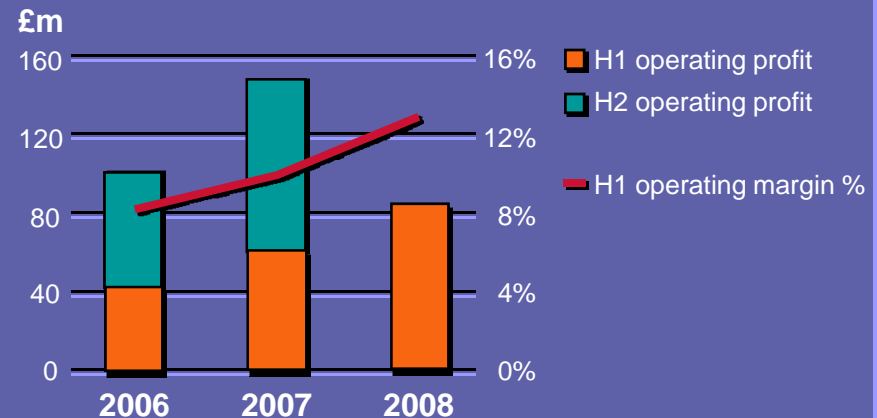
Revenue, operating costs & gross margin



Customer Relationships



Operating profit and operating margin





# 4 Build on our growth platforms

## Direct Energy

### Challenging first half

- US economic slowdown
- Record sustained gas prices
- Texas wholesale power price volatility
- 2 week Bastrop power plant outage

### Fundamentals and growth prospects remain strong

- Increase in Mass Market customers
- Texas commodity cost increases being passed through in retail prices
- 4% growth in Home Services customers
- Strategic Energy acquisition makes us top 3 C&I energy supplier
- Acquisitions of Rockyview and TransGlobe increased gas output

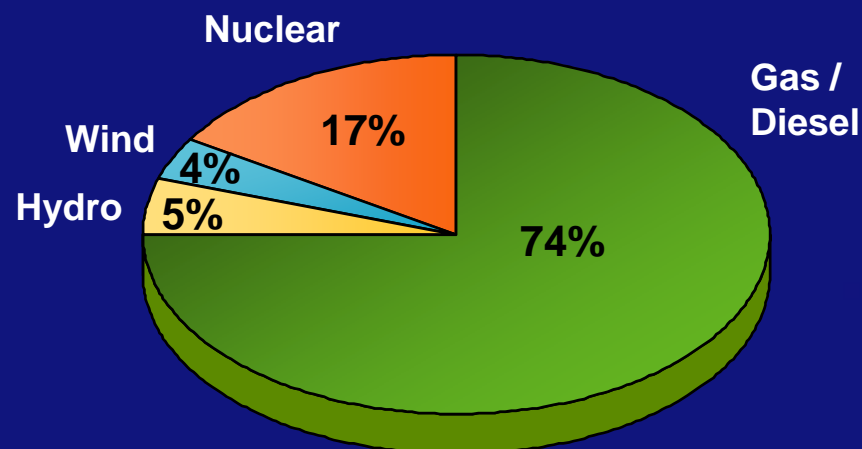
## 4 Build on our growth platforms

### Europe

- Exercised pre-emption rights on SPE
- Gained 51% controlling interest
- 1.5m customers and 1.6GW
- SPE will benefit from cheaper power through PAX Electrica 2
- Increases Centrica's options with European position



Generation mix



# Summary

- Strong results in a difficult commodity environment
- Reduced costs and improved service in British Gas
- 2008 full year Group costs flat on 2007
- Progress made on gas, storage and wind
- Growth businesses performing well
- Remain focused on shareholder value

# Centrica plc

## INTERIM RESULTS

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for the period ended 30 June 2008

