Centrica plc

Interim Results

For the six months ended 30 June 2006

centrica

Disclaimers

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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.

Chairman

Roger Carr

H1 issues

- Wholesale prices continued to reach unprecedented levels
  - Significant operating loss in BGRE
  - Reduced profits in BGB
  - Higher losses on the I&C contracts
- BGS hit by exceptional workload due to weather patterns

The first quarter of 2006 was particularly tough and as a result first half financial performance was poor

Retail pricing

- Unacceptable H1 losses in residential energy business
- Pricing decision re-introduces margin headroom
- Pricing based on market curve
- Longer term view of falling wholesale prices remains

Some margin will be restored in BGRE in H2 but the business may only break even for the year as a whole

Cash management

- Cash management is a priority
- Continuing suspension of the buyback programme
- Operating cash flow discipline
- Prudent investment policies
- Commitment to dividend growth preserved

Shareholder reward remains the priority of the Board

Progress

- Focus on performance improvement in BGRE
- Customer losses contained: back to growth in electricity
- BGS internal restructure
- Increased upstream profits
- Rough returned to full injection capability
- Good progress & financial performance in North America
- Encouraging signs of EU commitment to deregulation
- Seamless transition to new CEO

Foundations laid and actions taken will combine to provide a firm base for future performance

Group Finance Director

Phil Bentley

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Financial headlines

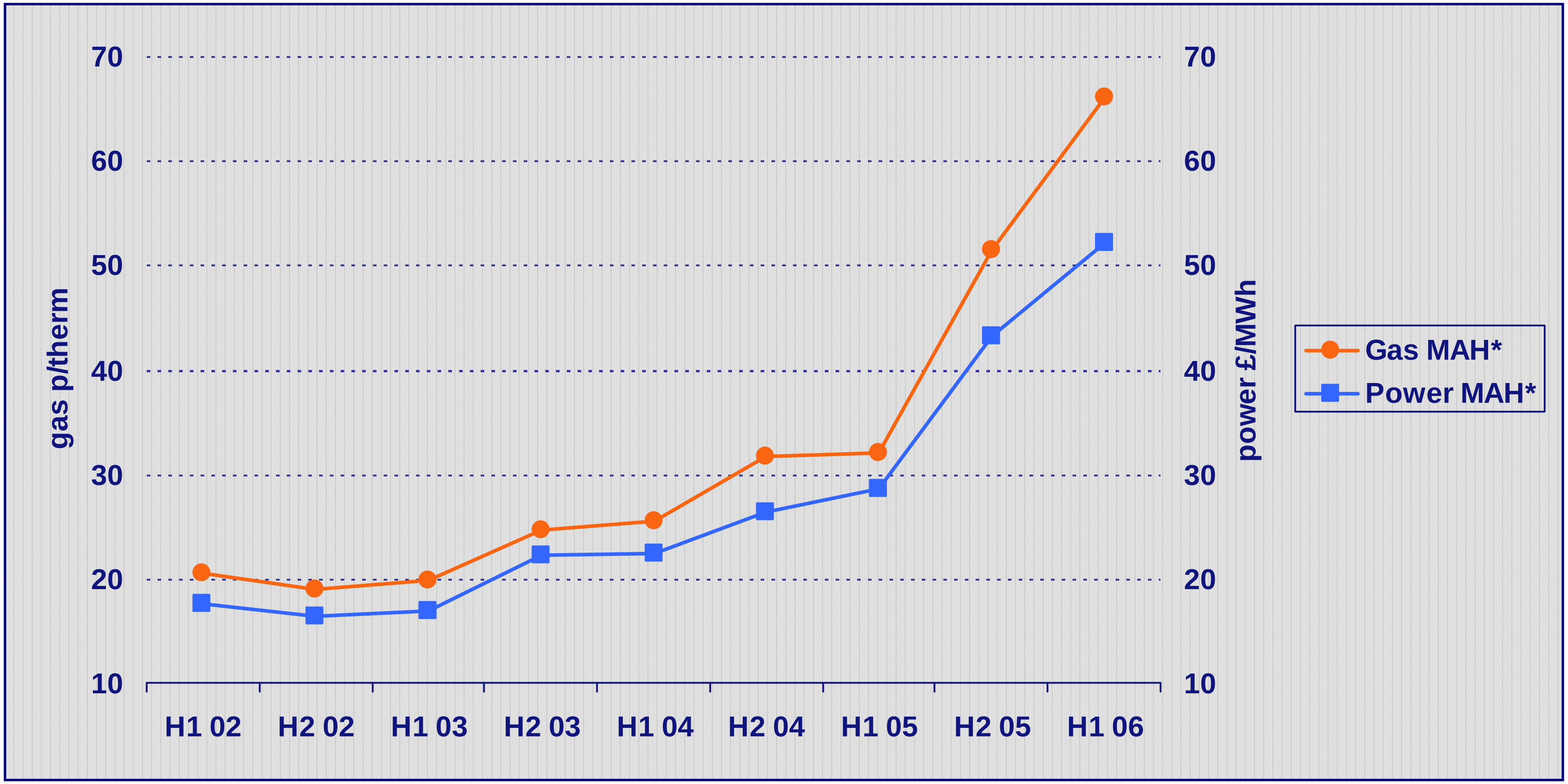
Six months ended 30 June	2006		Δ
Turnover (£m)	8,728	▲	32%
Operating profit (£m)	692	▼	(29%)
Earnings (£m)	277	▼	(38%)
Earnings per share* (p)	7.6	▼	(36%)
Interim dividend per share (p)	3.15	▲	2%

H1 was difficult but a stronger second half is expected which supports current guidance for full year earnings

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

* includes discontinued operations in the prior period; all other figures are from continuing operations

The wholesale cost of commodity has continued to rise

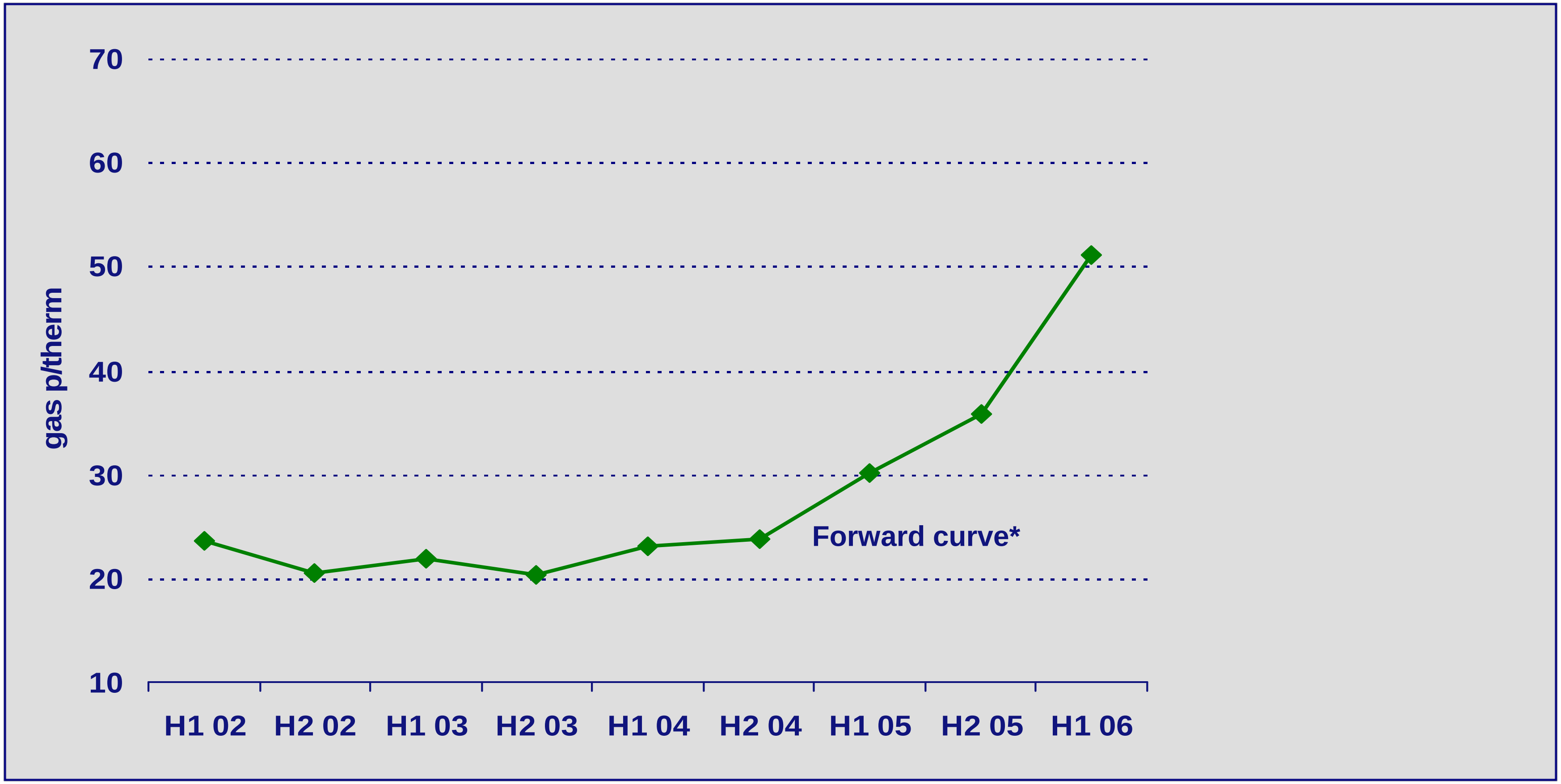


% increase period on period

Gas	-	-7%	4%	24%	4%	25%	1%	61%	28%
Power	-	-7%	3%	31%	1%	18%	9%	51%	21%

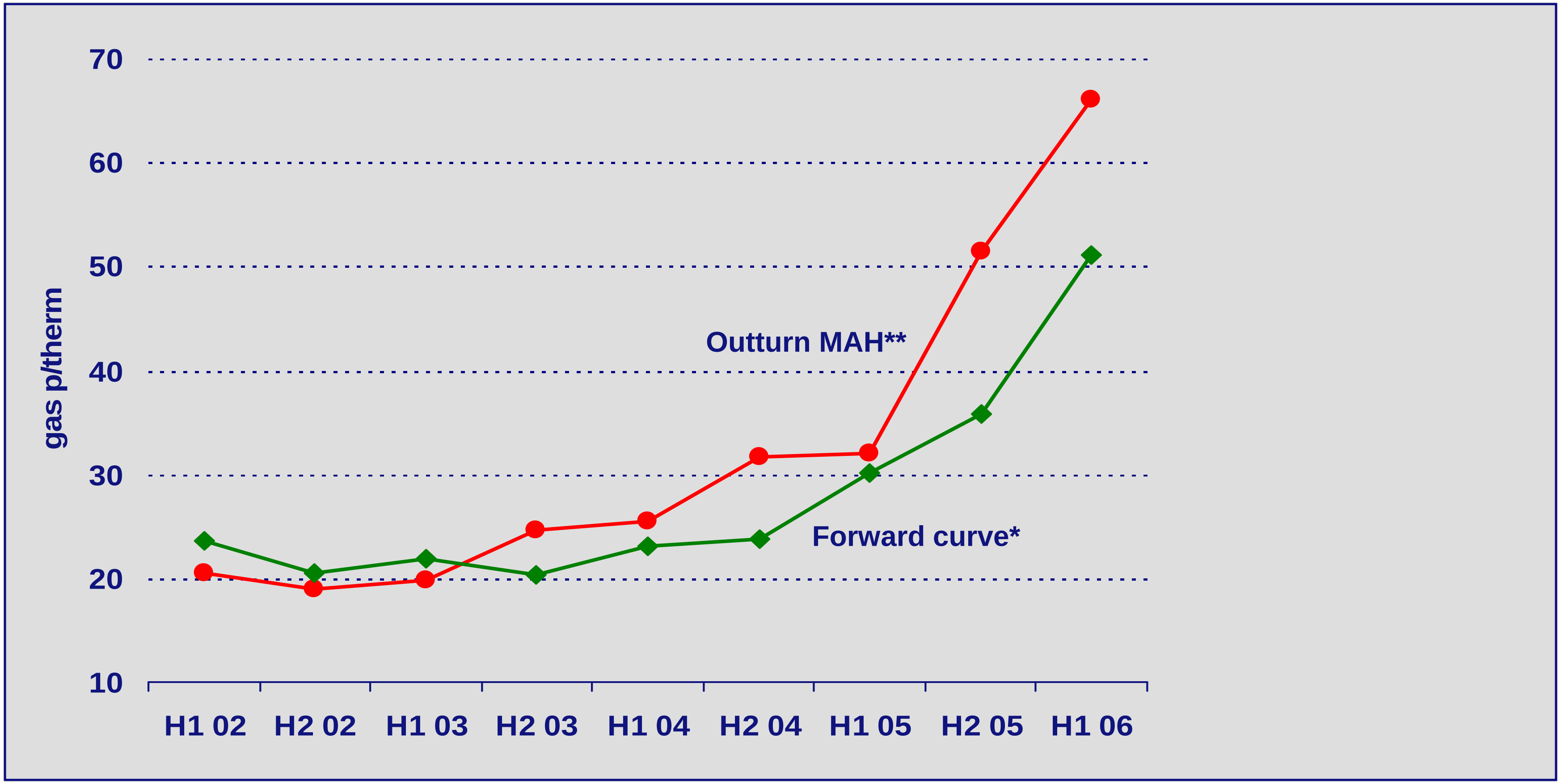
* Demand-weighted

Forward prices have been poor predictors of market outturns



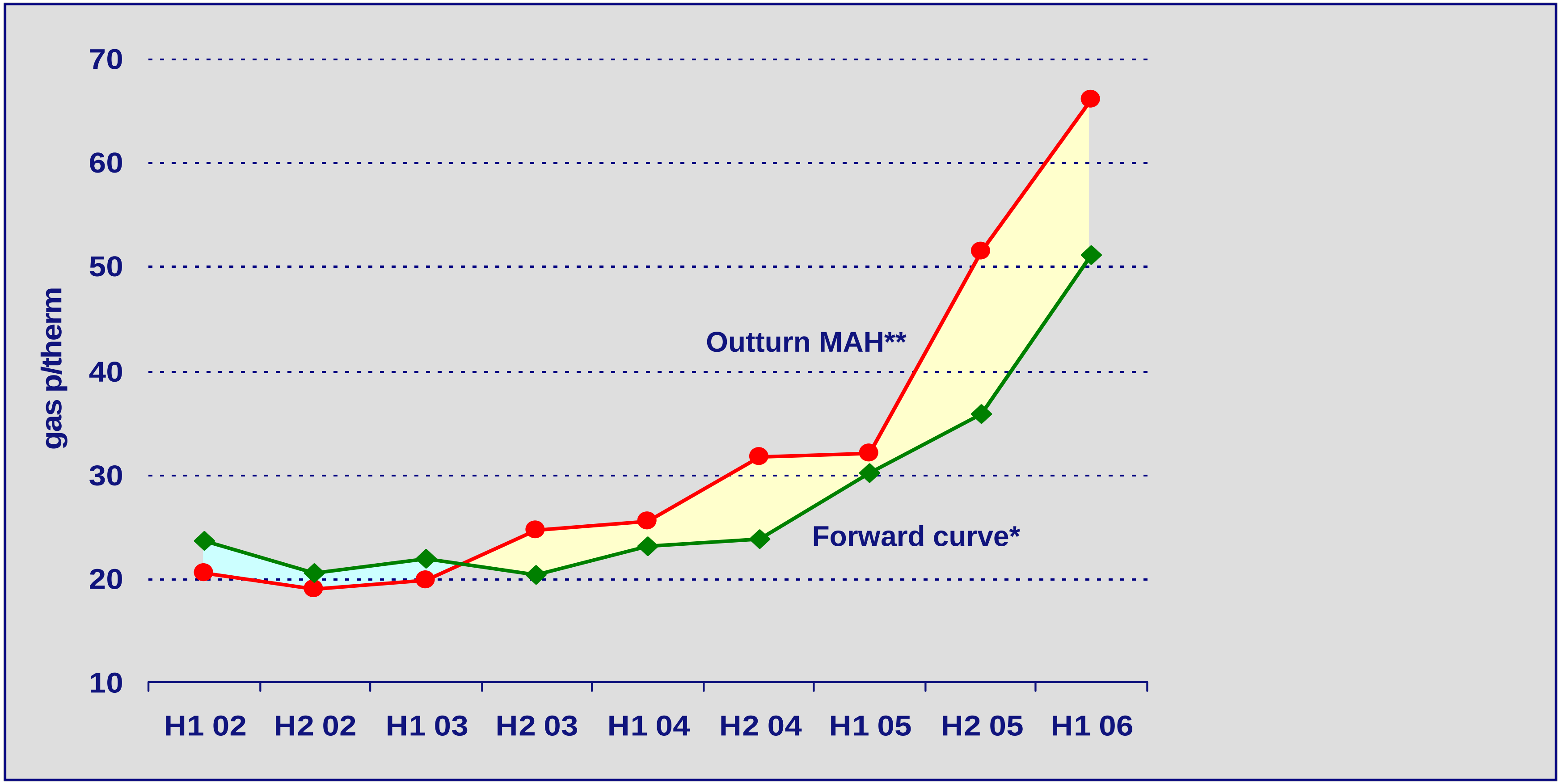
* Average price in previous 12 months

Forward prices have been poor predictors of market outturns …



* Average price in previous 12 months
** Demand-weighted

… This has made pricing decisions very difficult for all suppliers

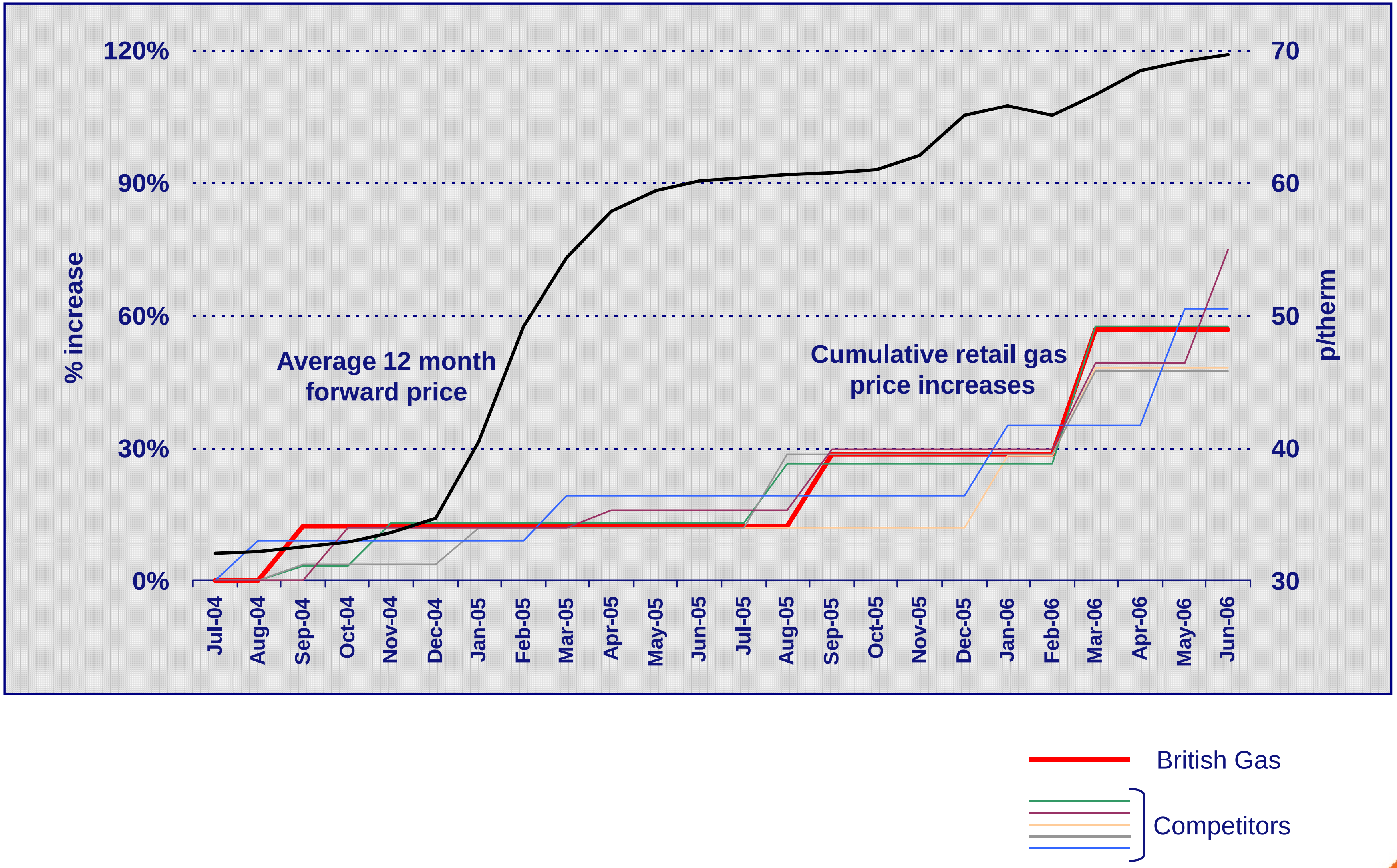


Over/(under) prediction

p/therm	3.1	1.6	2.1	-4.2	-2.3	-8.0	-1.9	-15.7	-15.0

* Average price in previous 12 months
** Demand-weighted

Retail pricing is rational but we are all continuing to lag the wholesale market



Operating profit analysis

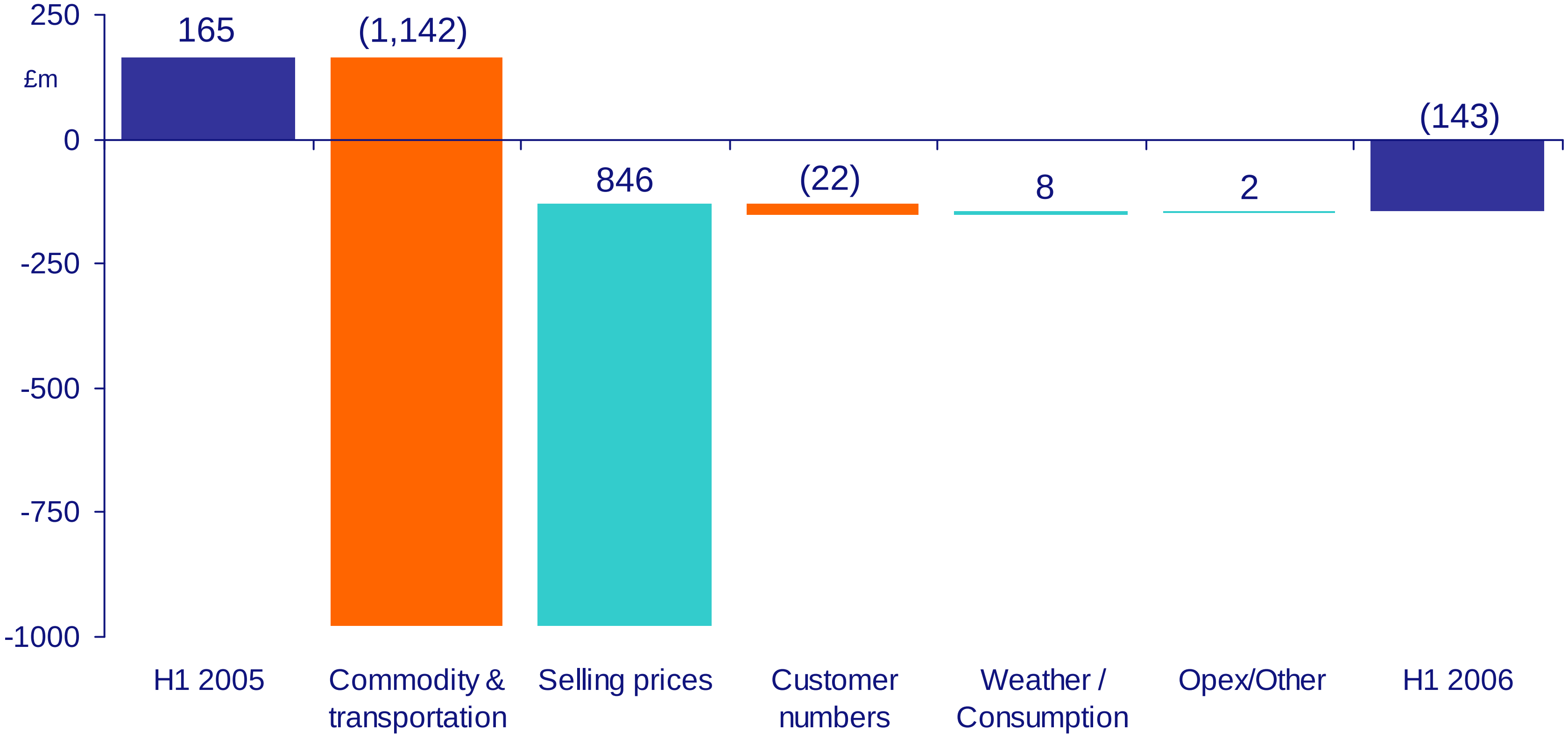
Six months ended 30 June, £m	2006	2005	Δ£m	Δ%
British Gas Residential Energy	(143)	165	(308)	nm
Centrica Energy	579	543	36	7%
British Gas Business	11	55	(44)	(80%)
Centrica Storage	93	57	36	63%
British Gas Services	44	59	(15)	(25%)
North America	121	87	34	39%
Europe	(4)	3	(7)	nm
Other	(9)	0	(9)	nm
Total operating profit	692	969	(277)	(29%)

BGRE, BGB and BGS will deliver better financial performance in H2 than in H1: the improvements in other areas will continue

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

British Gas Residential Energy

Operating profit*: causal track

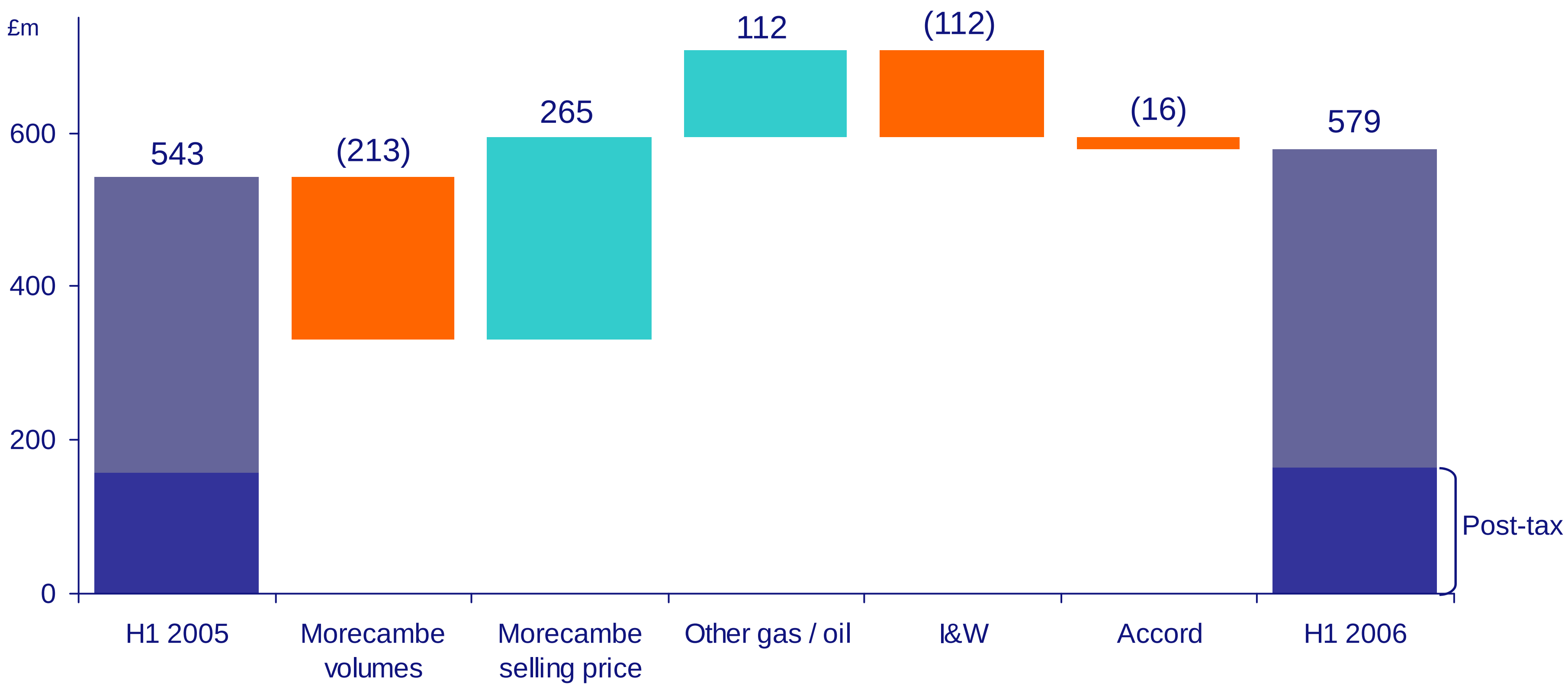


We are committed to returning BGRE to profitability on a stand-alone basis

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

Centrica Energy

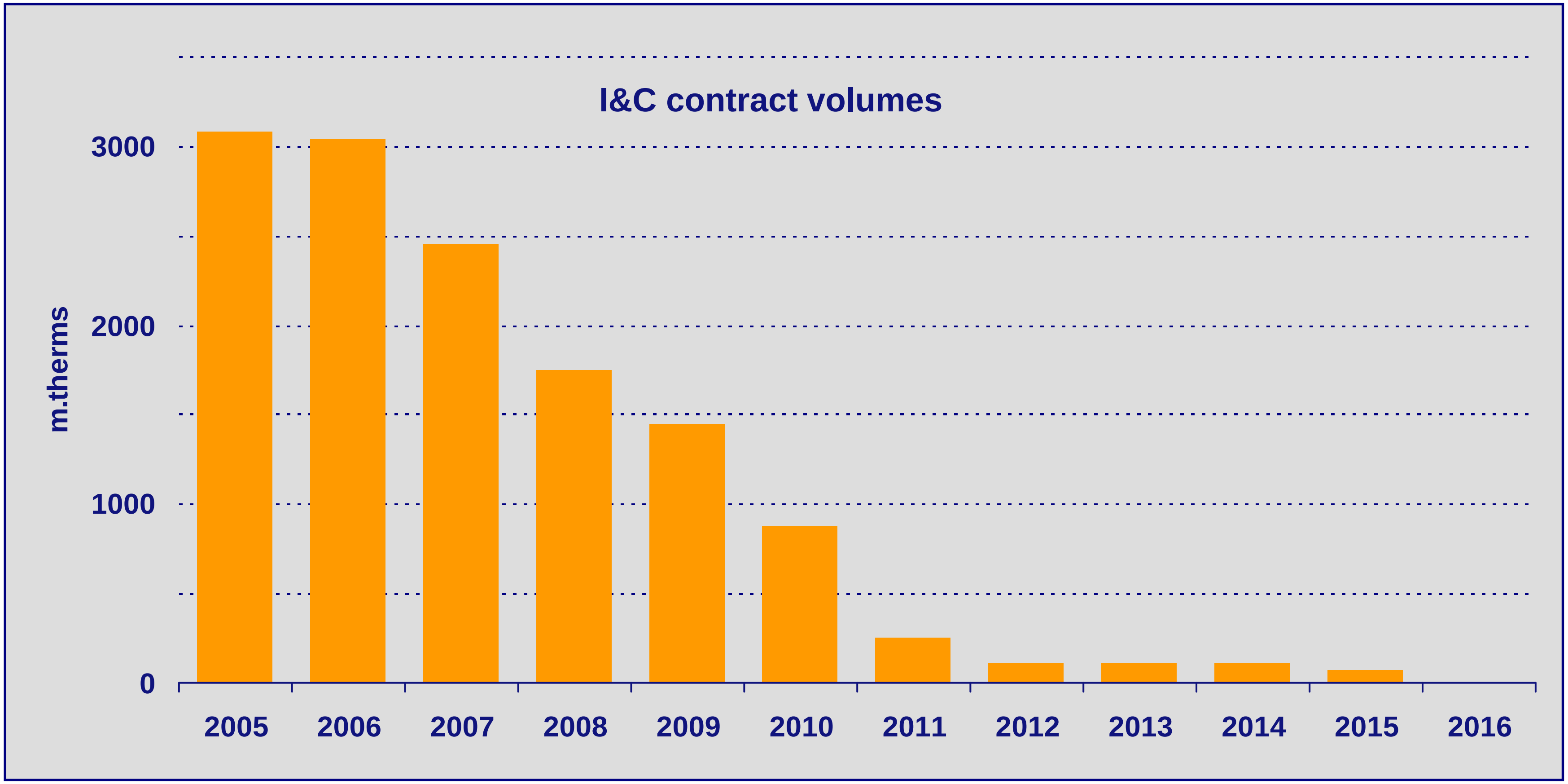
Operating profit*: causal track



Centrica Energy profits remain depressed by losses in I&W: gas production profits will continue to increase in H2

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

I&C sales contracts



2006 is the peak year of losses on the I&C contracts as volumes begin to fall

British Gas Services

British Gas DYNO

- Record number of callouts
- CH installations down from 2005 H1 peak
- Product growth & pricing increases contributed £27m
- Business restructuring has increased operating costs

Despite a number of one-off H1 impacts, actions taken will improve performance in H2

British Gas Business

British Gas Business

- Increased input costs
- Tariff changes effective from March
- Margin profile of contracts negative in Q1
- Reduced churn in SME base
- Contract renewals remain high

Wholesale costs depressed H1 but H2 outlook is consistent with full year guidance

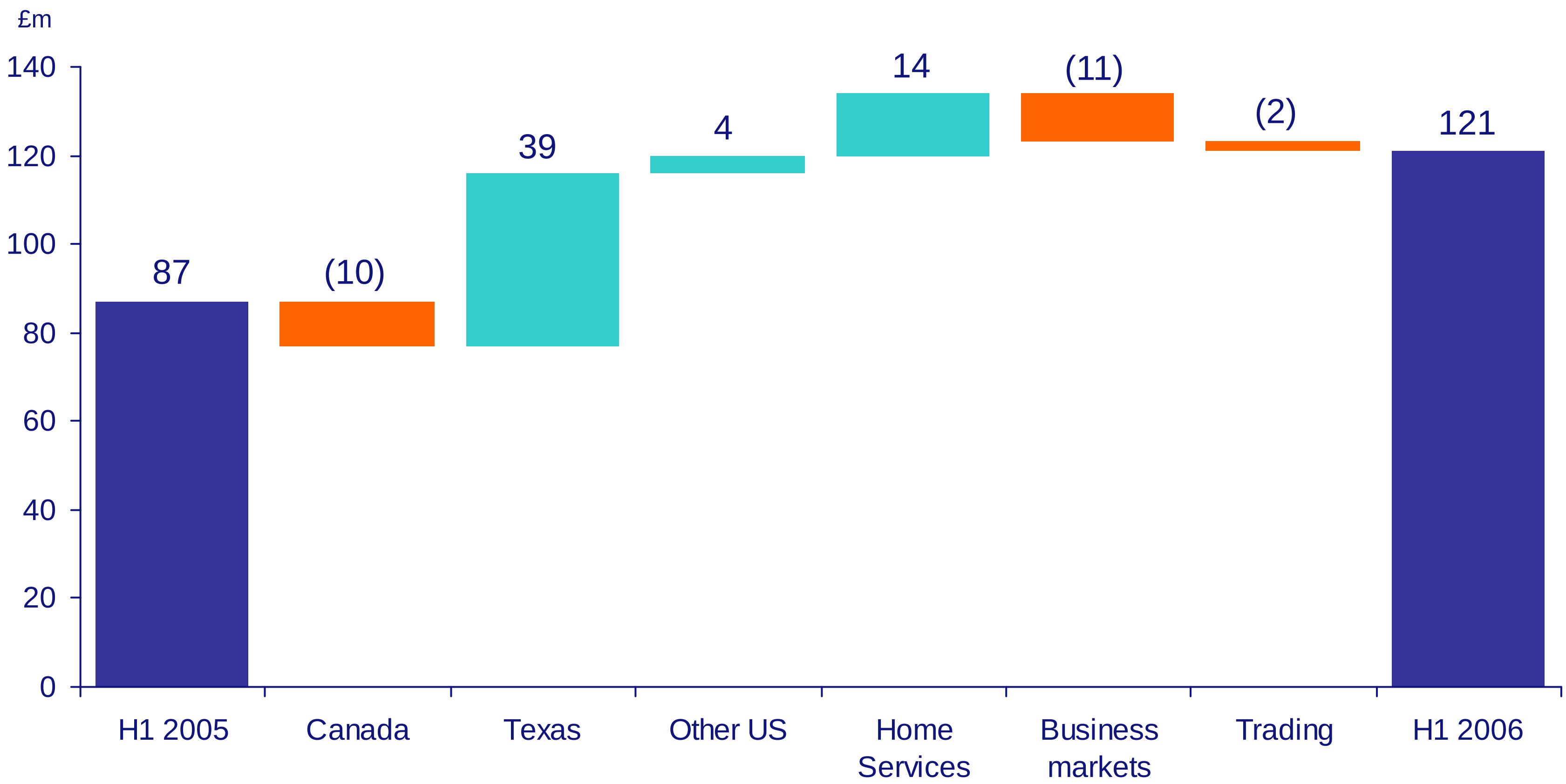
Centrica Storage

- Strong H1
- 2006/07 SBU average price up 74% year on year
- £42m exceptional charge due to Force Majeure incident
  - £24m recognised in Centrica Storage
- Now back to full injection
  - Currently 75% full
  - Expect to be filled by the end of the injection season
  - Full production expected by October
- Recommenced SBU forward selling

The strong financial performance of Centrica Storage will continue in H2 due to higher average SBU prices

North America

Operating profit*: causal track



North America had a good H1 and the trend will continue in H2: forecast c. 20% EBIT growth for the full year

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

Tax

- Net benefit of £46m in the period from upstream restructuring
  - Change of law nullifies continuing benefit
- PRT down on 2005 H1
- H1 effective tax rate was 51%
  - Full year ETR expected to be around 58%

The effective tax rate will decline as production from PRT-paying fields reduces and the proportion of downstream earnings increases

Cash flow*

Six months ended 30 June (£m)	2006	2005
Opening net cash/(debt) (excluding non-recourse)	(1,060)	(513)
EBITDA	947	1,184
Working capital	(819)	22
CT and PRT paid	(164)	(295)
Post-tax operating cash flow	(36)	911
Interest paid	(118)	(51)
Capex, acquisitions & disposals	(403)	(216)
Other	(23)	(287)
Free cash flow (before dividends)	(580)	357
Ordinary dividends	(269)	(220)
Total movement in net debt	(849)	137
Closing net cash/(debt) (excluding non-recourse)	(1,909)	(376)

Net debt should fall and cash position improve through the second half

* From continuing operations

H2 financial outlook

- Some restoration of margins in BGRE relative to H1
- Improved profitability in BGB and BGS
- Gas production profits driven by higher volumes & pricing
- H1 strong performers continue to be strong in H2
- No change to full year earnings guidance

As a result of actions taken, financial performance will improve in H2

Chief Executive

Sam Laidlaw

H2 business outlook

- BGRE profitability restored
  - but return to customer growth delayed
- Progress on cost reduction across the Group
  - billing system delivered in BGRE
- Rough Storage ready for the winter production season
- Strong performance continues in North America
- Earnings guidance remains intact

In H2 we will be establishing the framework for the expected turn-round from 2007

Business principles

- Leading integrated energy company in key markets
- Improved operational, financial and customer service performance
- Focussed and selective pursuit of growth
    - Value more important than size
- Disciplined capital allocation
- Relentless focus on costs

Creation of shareholder value is at the core of Centrica's strategy

First impressions

- British Gas Residential Energy
- British Gas Services
- British Gas Business
- Centrica Energy
- Centrica Storage
- North America
- Europe

Business priorities

- Restore appropriate margins in energy retailing
- Reduce exposure to commodity prices
- Deliver further cost efficiencies
- Deliver the growth in BGS
- Build on our position in Europe
- Selectively infill in North America

Centrica must move rapidly to successfully meet the challenges of the competitive environment


British Gas


centrica


Direct Energy


Direct Energy