

Centrica plc

Interim Results

For the six months ended 30th June 2004

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Disclaimer

This presentation does not constitute an invitation to underwrite, subscribe for, or otherwise acquire or dispose of any Centrica shares.

Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser.

Chairman

Roger Carr

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Chief Executive

Sir Roy Gardner

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Results in brief

Six months ended 30 June 2004, £m	2004		%
Turnover* (excluding Accord)	6,344	▲	3%
Operating profit**	763	▲	10%
Earnings**	520	▲	9%
Earnings (post goodwill & excep)	383	▼	(2%)
Interim dividend per share	2.5p	▲	47%

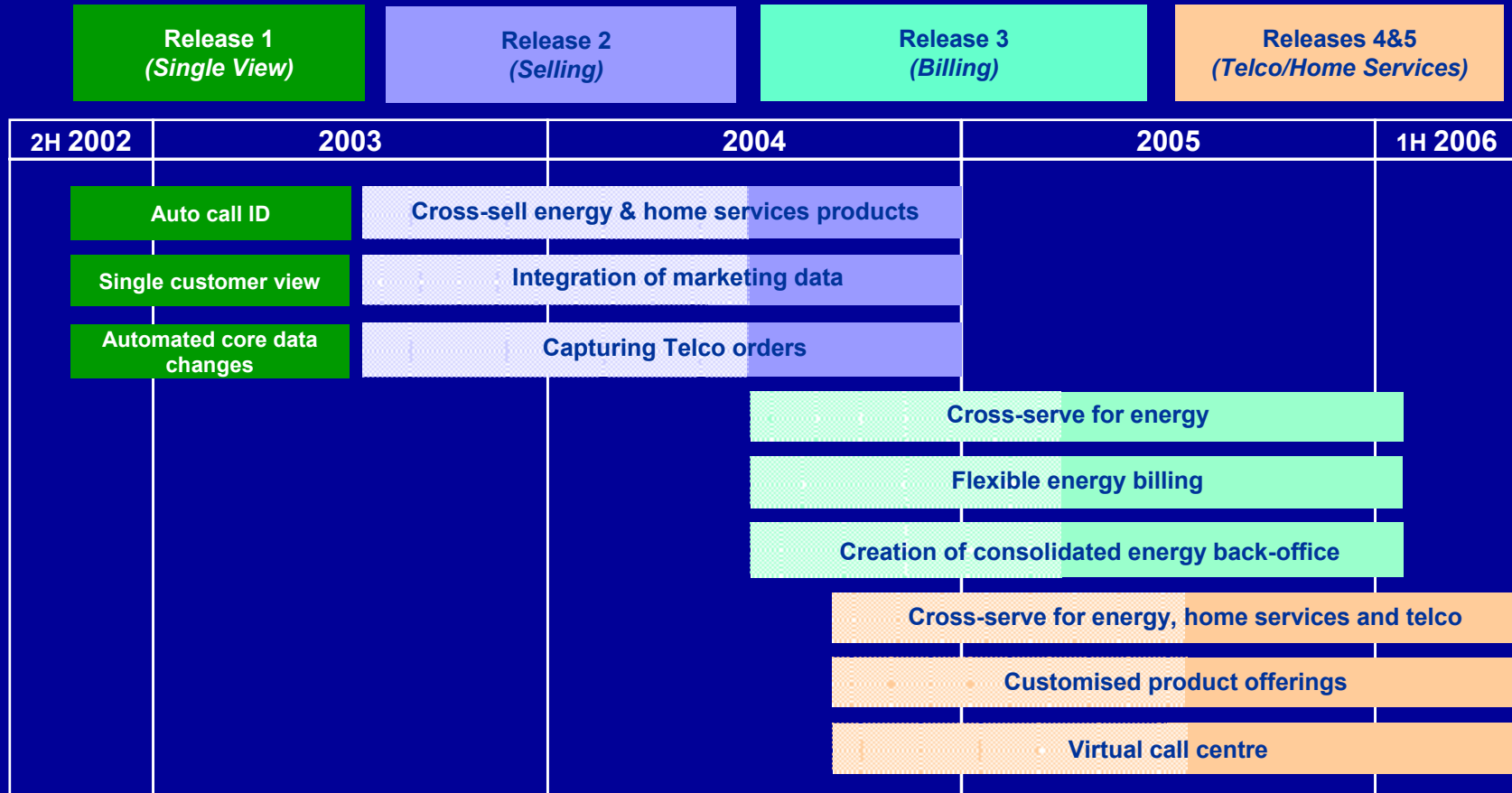
* From continuing operations

** Before goodwill amortisation & exceptional items

Development of Centrica in 2004

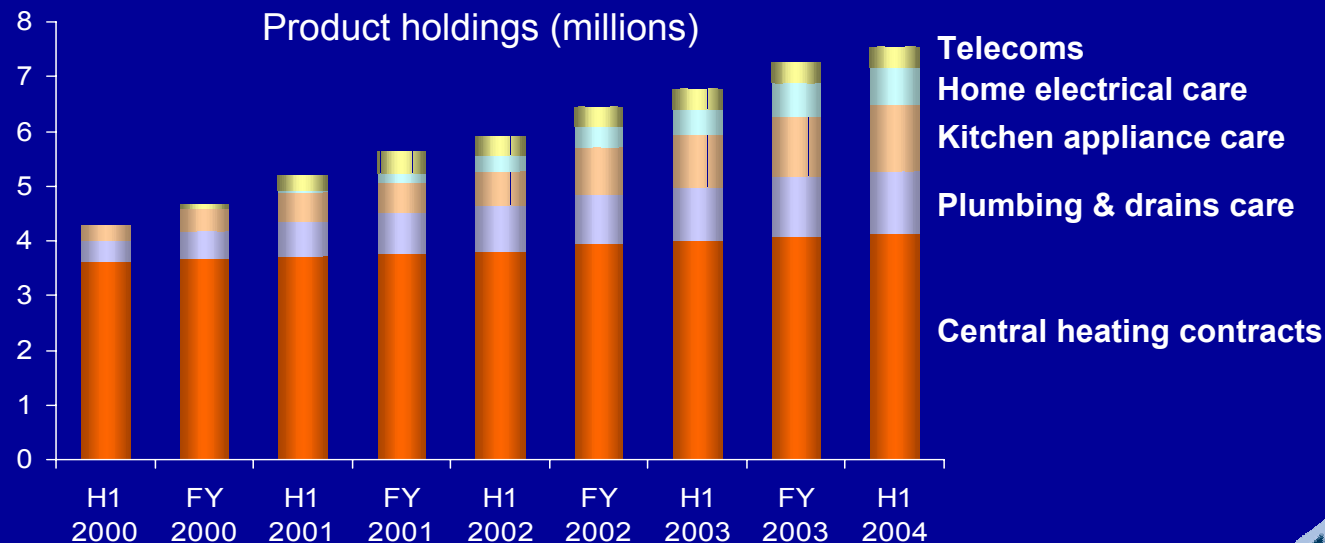
- Agreed sale of the AA
- Reinforced focus on energy
- Additions to asset portfolio in UK and North America
- Progress with British Gas transformation
- Commitment to return cash to shareholders
- Significant dividend increase

British Gas transformation



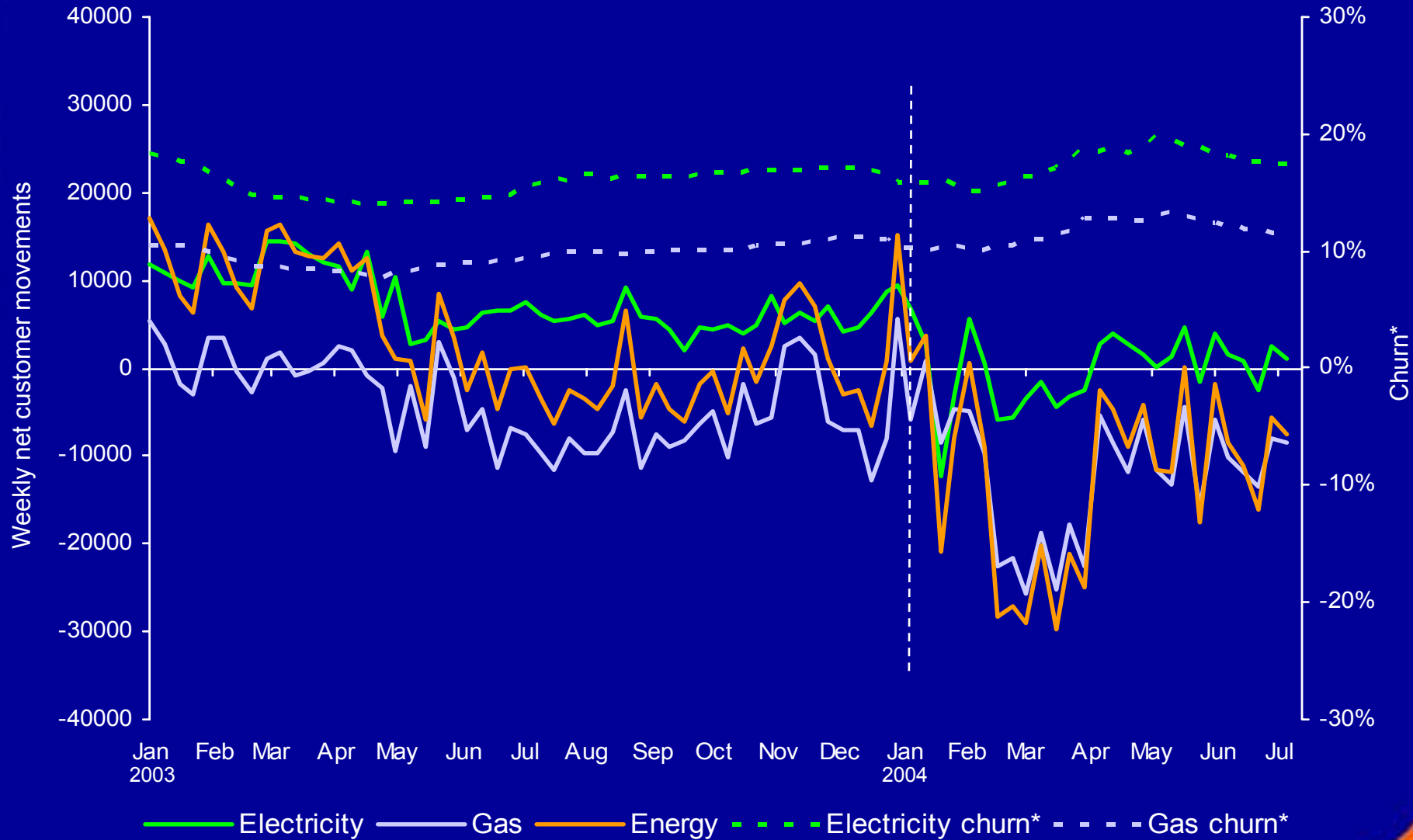
British Gas home services & telecoms

- Average customer product holding* increased 2.5% to 1.64
- 11% increase in turnover
 - (10% Home Services, 19% British Gas Communications)
- 48% increase in operating profit
 - (24% Home Services, losses halved in British Gas Communications)
- Investment in engineer training, deployment & equipment



*British Gas brand

Net British Gas customer movements



* moving 13 week average annualised



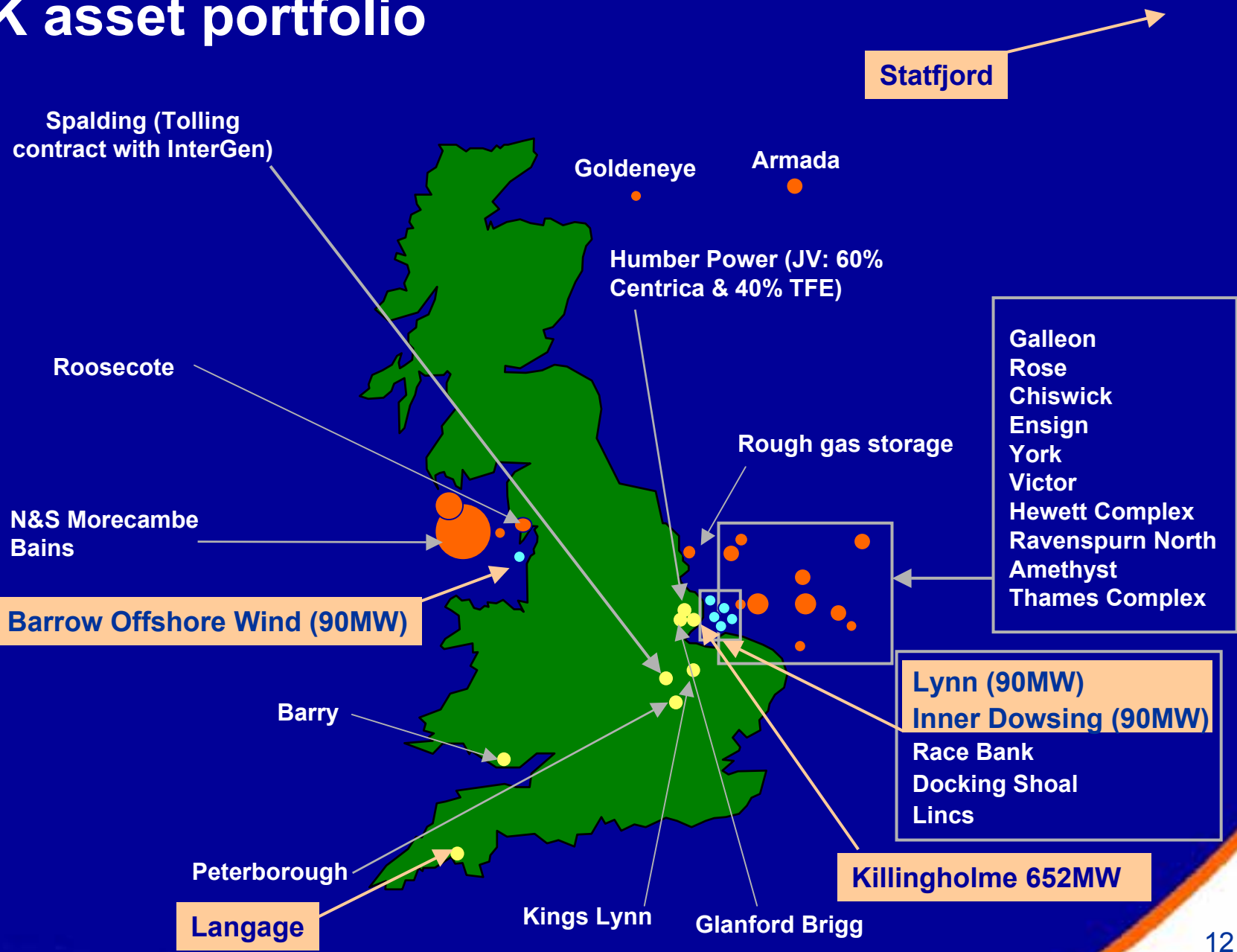
Growing value in British Gas

- Balance between short-term and long-term value
- Achieving high end of transformation programme benefits
- Premium pricing
- Innovative propositions
- Targeting high value customer segments

North America

- Completed acquisition in Alberta
- First investment in power generation
- Further gas reserves acquired in Alberta
- Strategic focus
 - Organic growth in existing markets
 - Cross-selling energy and services
 - Build scale in business markets
 - Upstream assets
- Addressing H1 challenges

UK asset portfolio



Upstream investment

- Increase UK gas equity cover to 35-45%
- Innovative solutions for gas sourcing
 - eg. outside UKCS, LNG
- Infrastructure investment may be required
- Increase UK electricity peak coverage to 65-75%
- Increase North American gas & power equity hedge
- Support for downstream businesses in Continental Europe
- Renewables

Group Finance Director

Phil Bentley

Financial highlights

Six months ended 30 June 2004	2004		Δ
Turnover* (excluding Accord) (£m)	6,344	▲	3%
Operating profit (£m)	763	▲	10%
Operating margin**	12%	▲	1 ppt
Interest cover	42 times	▲	18 times
Effective tax rate	29%	▼	1 ppt
Earnings (£m)	520	▲	9%

All figures before goodwill & exceptional items

* From continuing operations

** Based on turnover excluding Accord

Operating Profit Analysis

(including JV's & Associates, pre exceptionals & goodwill amortisation)

Six months ended 30 June, £m	2004	2003	Δ
British Gas Residential	274	200	37%
Centrica Business Services	47	43	9%
Centrica Energy	287	357	(20%)
Centrica Storage	26	16	63%
AA	58	39	49%
One.Tel	6	0	n/m
North America	63	73	(14%)
Other Activities	2	(4)	n/m
Goldfish	-	(30)	n/m
Total	763	694	10%

British Gas Residential

Operating profit: causal track

	£m	£m
	Year Δ	
Six months ended 30 June 2003		200
Higher selling prices	218	
Higher commodity & transportation costs	(165)	
		53
Cooler weather	20	
Lower customer numbers	(3)	
Higher EEC spend	(19)	
Home Services & telecoms	15	
Other	8	21
Six months ended 30 June 2004		274

Centrica Energy

Operating profit: causal track

	£m Year Δ	£m
Six months ended 30 June 2003		357
Lower gas production volumes	(21)	
Higher gas production selling price	50	
Increased PRT	(34)	
Industrial & Wholesaling	(70)	
Other	5	
		(70)
Six months ended 30 June 2004		287

Other UK businesses

Operating profit: causal track

	£m	£m
	Year Δ	
Six months ended 30 June 2003		68
Centrica Business Services	4	
Centrica Storage	10	
AA	19	
One Tel	6	
Goldfish	30	
		69
Six months ended 30 June 2004		137

North America

Operating profit: causal track

	£m	£m
	Year Δ	
Six months ended 30 June 2003		73
Foreign exchange movements	(3)	
Texas reconciliation	(16)	
		54
Texas Electricity	7	
Gas production and energy trading (inc I&C)	(8)	
Home and Business services	8	
Other	2	
		9
Six months ended 30 June 2004		63

H1 cash flow drivers

Six months ended 30 June, £m	2004	2003
EBITDA*	932	886
Adjustments:		
PRT P&L charge	102	68
PRT cash paid	(51)	(9)
Corporation Tax	(135)	(67)
Other working capital	(201)	(212)
	(285)	(220)
Post-tax operating cash flow	647	666
Interest	4	0
Capex & acquisitions	(294)	(158)
Exceptionals	(7)	-
Free cash flow (before dividends)	350	508

- Interim dividend declared £108m (+48%)

* Before exceptional items, excluding JVs & associates

Chief Executive

Sir Roy Gardner

Summary

- Continued good results despite challenging environment
- Record first half operating profit
- Continued to invest for growth
- Appropriate balance between profit and growth
- Asset investments

Outlook

- Pressure from higher commodity prices
- Further asset investments
- Continued focus on operational efficiency
- Top-line growth in home services & telecoms
- AA disposal & return of cash to shareholders
- 40% dividend payout ratio in 2004; 50% in 2005

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Appendices

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Net cash capital expenditure

£m	2004	2003
British Gas Residential	52	47
Centrica Energy	34	23
AA	2	11
North America	26	12
Other	13	(1)
Less disposals & loans repaid	(1)	-
Total	126	92

Net cash acquisitions

£m	2004
Statfjord oil & gas interests	43
Wainstones Power Limited (Langage)	1
Bastrop Energy Centre (Texas)	79
ATCO (Alberta)	30
Quintana Minerals (Alberta)	18
Proceeds from disposals	(3)
Total	168
H1 2003	66