

# Centrica plc

Presentation to bond investors  
October 2008

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# Agenda

- Centrica overview
- Key priorities
- Risk profile
- M&A / investment programme
- SPE
- British Energy
- Financial profile and position

# Centrica overview

# Centrica overview: our businesses

- **Centrica was demerged from British Gas in February 1997 but retains the British Gas brand in the UK**
- **Its core businesses are:**
  - **British Gas Residential:** the biggest energy supplier in Britain's domestic market
  - **Centrica Energy:** sourcing gas and electricity from Centrica's own production and from third parties to supply our residential and commercial customers in Britain and continental Europe
  - **British Gas Business:** Britain's leading supplier of energy to businesses offering a range of options from open tariffs to fixed price contracts
  - **Centrica Storage:** the Rough facility under the north sea provides more than 70% of the UK's storage capacity
  - **British Gas Services:** Britain's largest operator in the installation and maintenance of domestic central heating, gas and electrical appliances
  - **British Gas New Energy:** we are increasingly taking advantage of the growing demand for energy efficient products and services
  - **Direct Energy:** providing energy and energy-related services to residential and business customers in Texas, the north and east of the US, as well as across Canada
  - **Europe:** we are supplying increasing numbers of customers in the newly deregulated energy markets of Europe

# Centrica overview: **key financial facts**

- Market capitalisation £11.1 bn / €14.2 bn (as at 15 October 2008)
- 24<sup>th</sup> in the FTSE 100 (as at 15 October 2008)

- H1 2008 financial headlines:

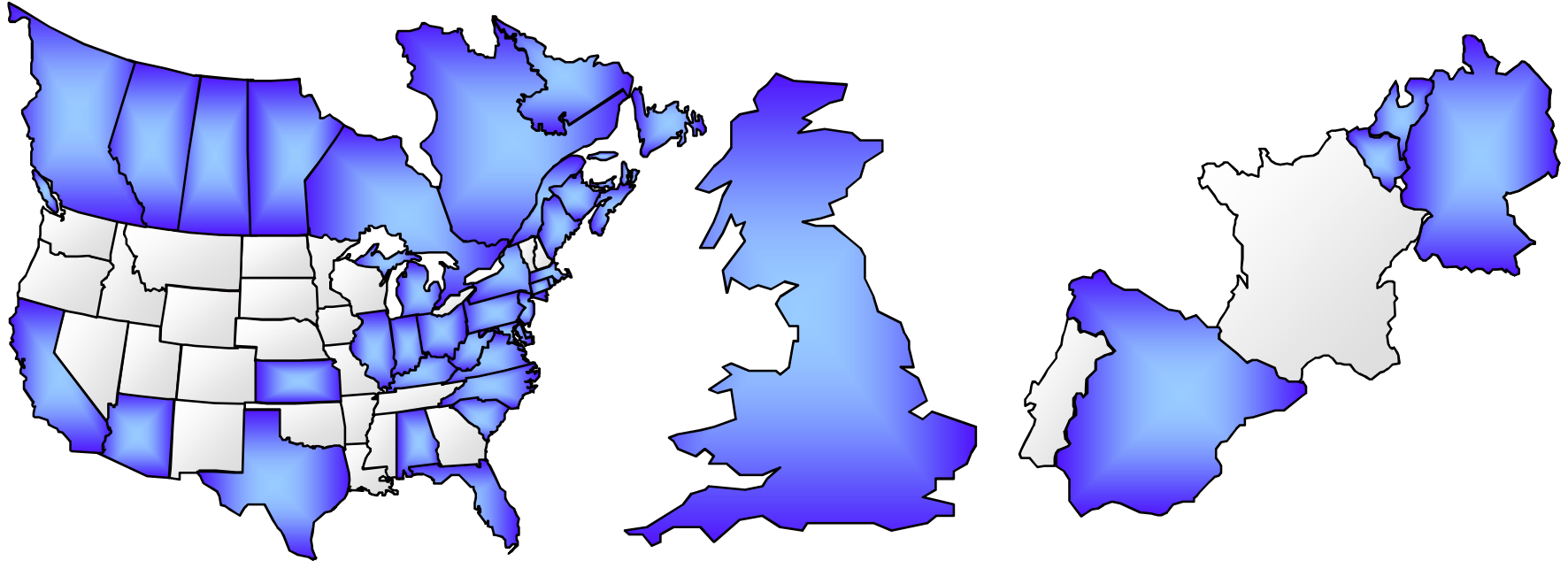
6 months to 30 June, £m	2008	2007
Revenue	10,032	8,570
EBITDA	1,304	1,503
Operating Profit	992	1,226
Earnings	416	786
Capex	520	360
Net Debt	274	942

- Credit Ratings: A (negative) S&P, A3 (stable) Moody's

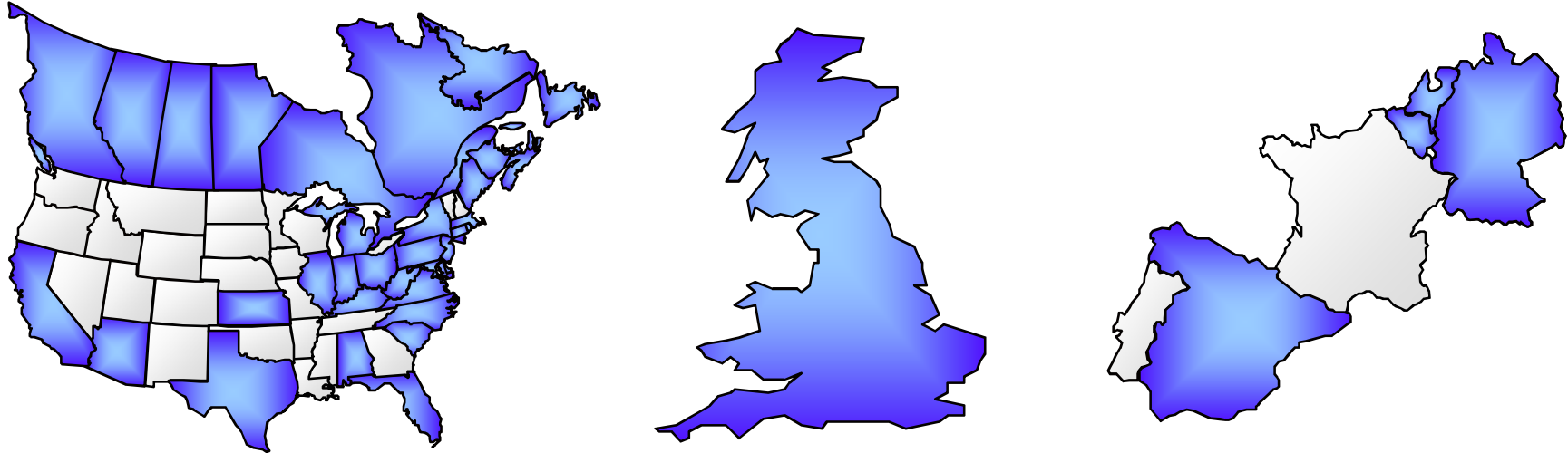
- S&P: FFO/net debt c.55% ^
- Moody's: RCF/net debt c.30% ^

^ 2008 estimate

# Centrica Overview: our brands



# Centrica Overview: customer base



We have over 30 million customer relationships

Customer relationships (30 June 2008)				
millions	North America	UK	Europe	Total
Energy Supply	3.2	16.7	2.3	<b>22.2</b>
Services	2.1	7.8	-	<b>9.9</b>

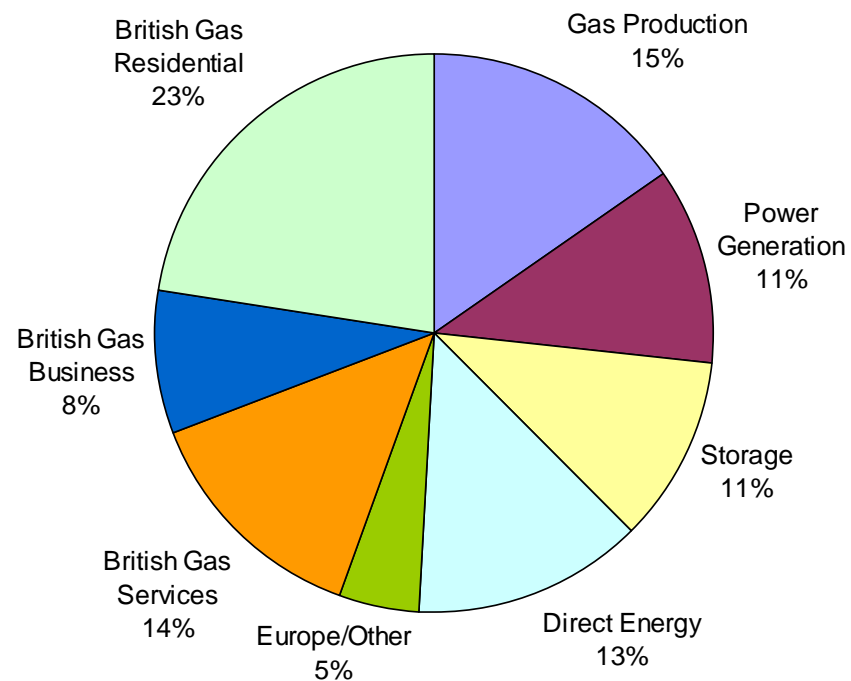
2007 Full Year data		North America	UK	Europe	Total
Total Annual Demand	Power (TWh)	32	40	14	<b>86</b>
	Gas (BCF)	335	1,057	180	<b>1,545</b>
Upstream Equity Capability	Power Generation (MW)	1,261	4,307	1,600	<b>7,168</b>
	Gas/liquids Reserves (BCFe)	339	1,624	-	<b>1,791</b>
	Gas Storage Capacity (BCF)	-	105	-	<b>105</b>



# Centrica overview: profit and value diversity

Operating Profit Year ended: 31 December	2007 £m
British Gas Residential	571
Centrica Energy	663
British Gas Business	120
Centrica Storage	240
British Gas Services	151
Direct Energy	226
Europe & other	17
<b>Total</b>	<b>1,988</b>

## Analysts' consensus Enterprise Value £15.3bn – sum of the parts valuation



Pie chart excludes I&C which has negative value

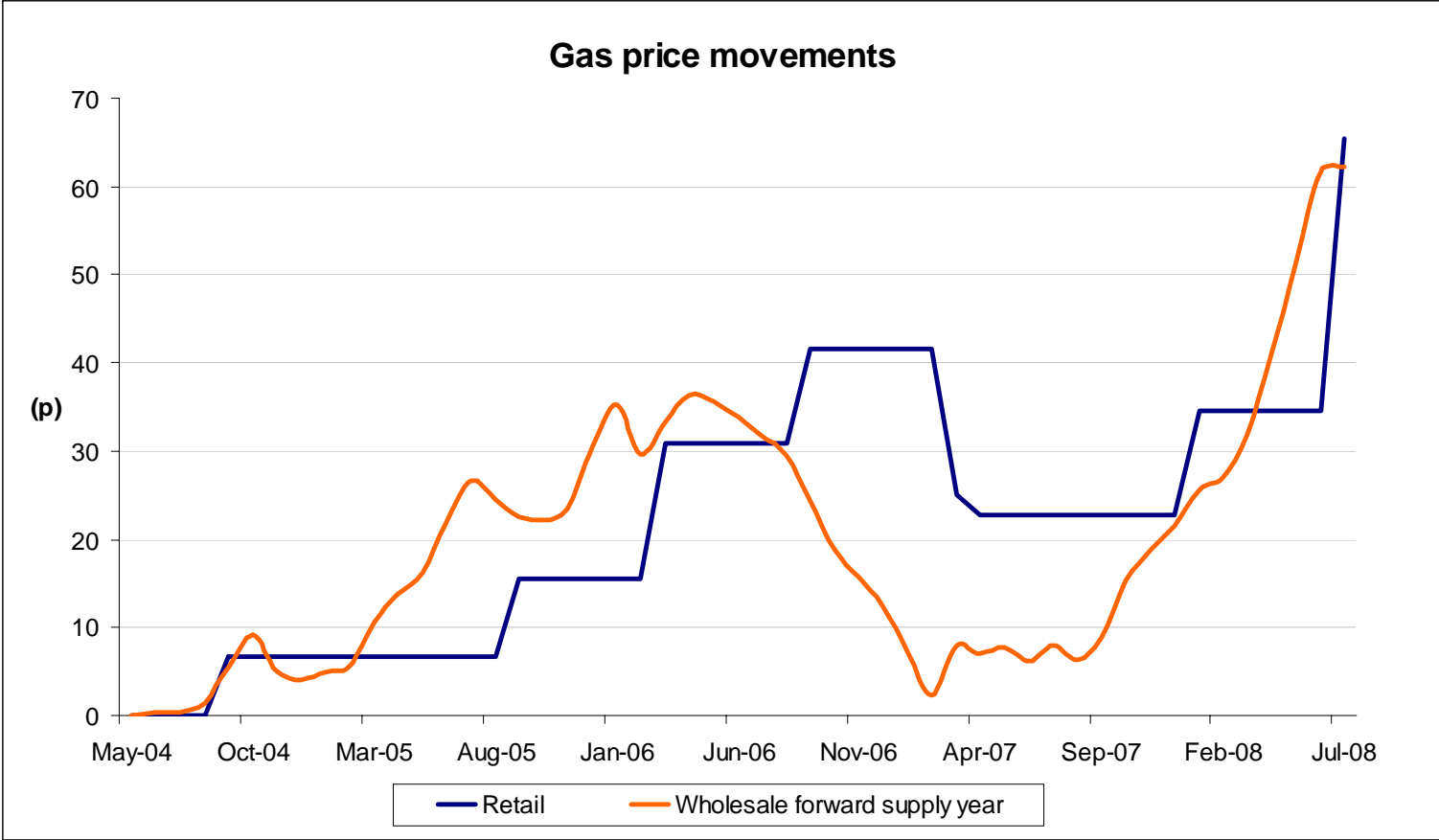
**A significant part of the group is not exposed to short term commodity price movements**

# Key priorities

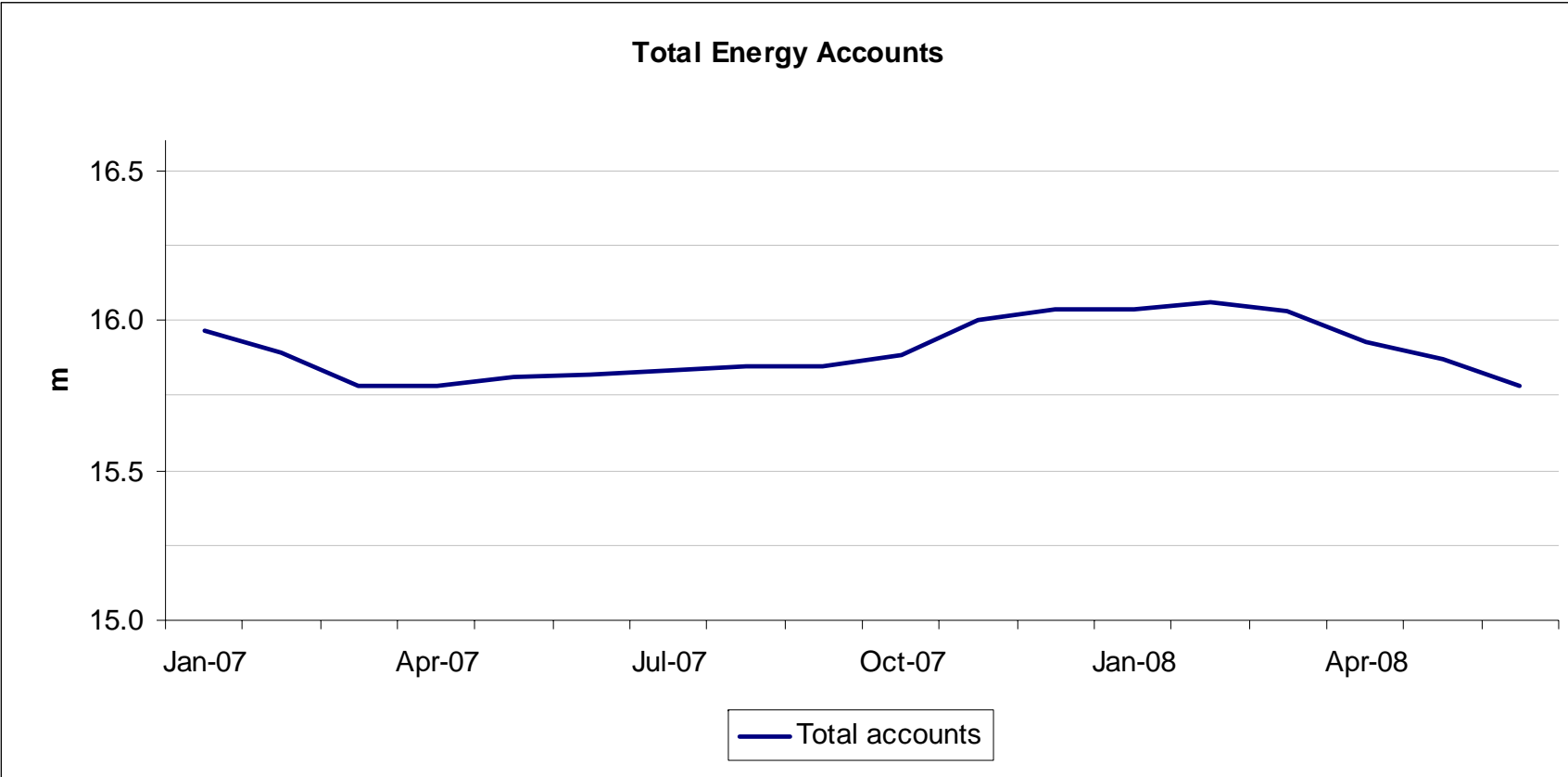
- Transform British Gas
- Sharpen the organisation and reduce costs
- Reduce risk through increased integration
- Build on our growth platforms

# Risk Profile

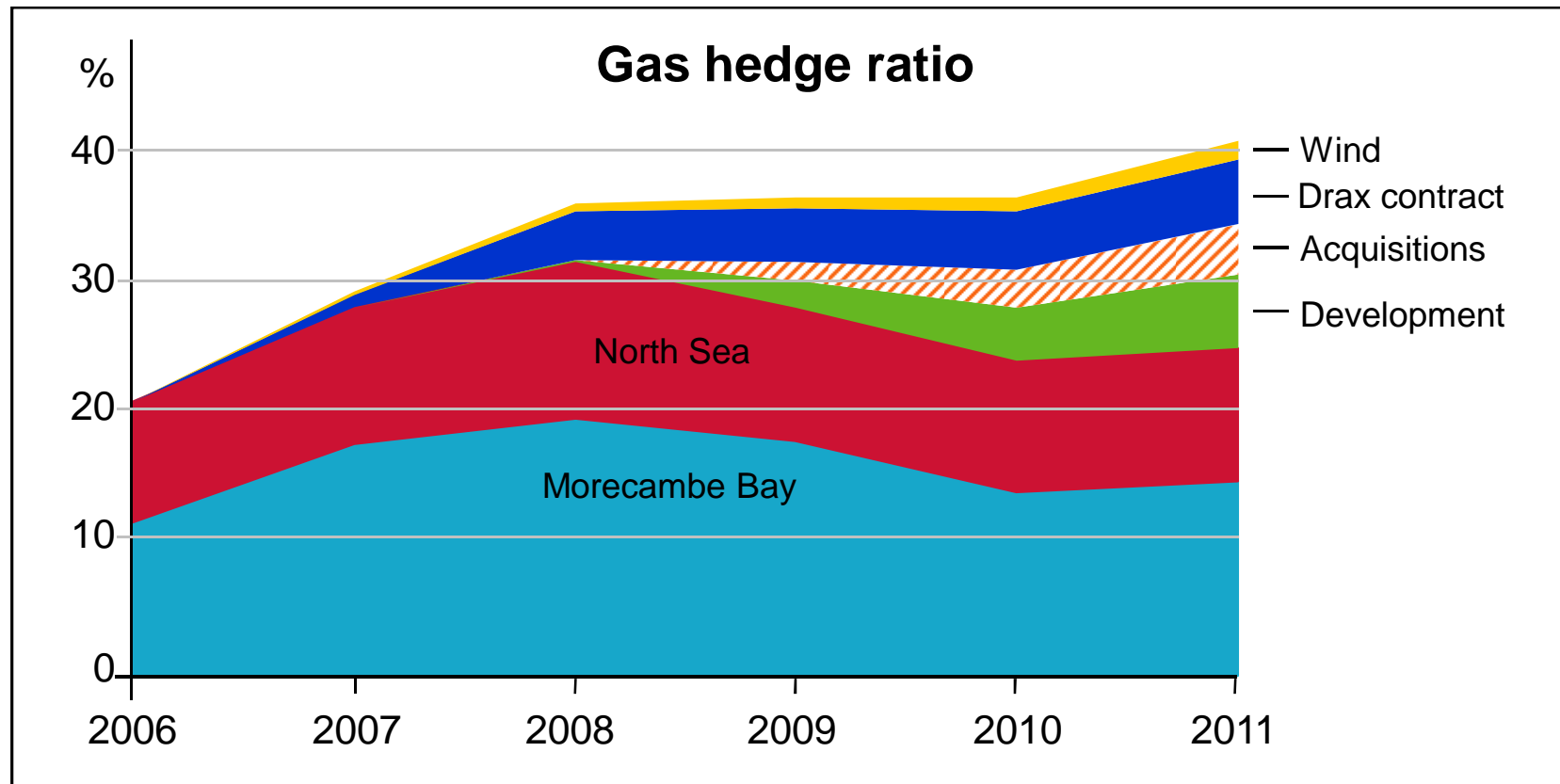
# Risk profile: UK gas price exposure



# Risk profile: customer base

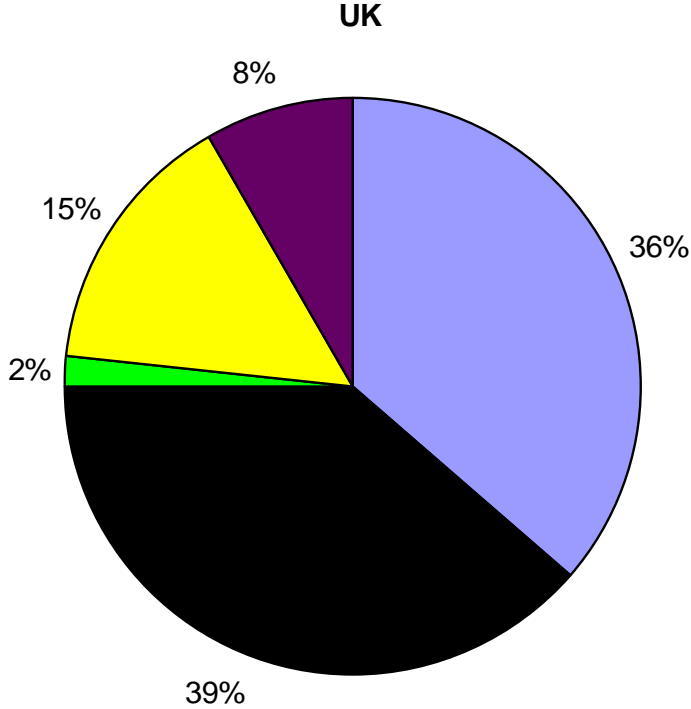
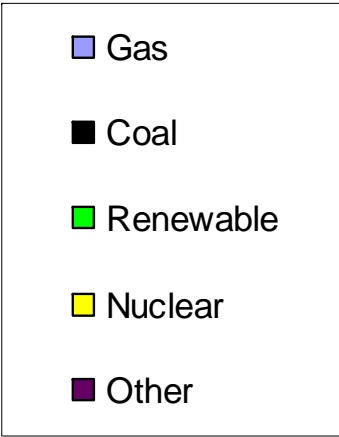
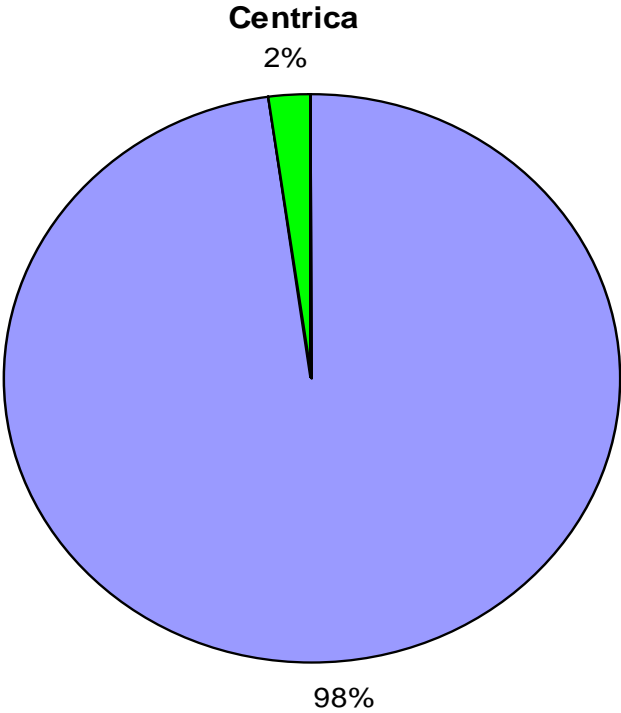


# Risk profile: increasing integration



Gas hedge ratio: Proportion of UK floating gas demand covered by own production. Floating gas demand includes non-fixed price BGR and BGB demand, I&C gas demand, power station fuel requirements and equivalent gas requirements to meet floating power demand in BGR and BGB.

# Risk profile: UK generation fuel mix



Source: UK Average – DTI; Centrica – Centrica plc

# M&A / investment programme

2008 investment programme c. £1.6bn\*

Upstream Gas Assets	Power Generation Assets	Acquisitions
Heimdal (\$375m)	Langage (£401m)	Strategic Energy (\$300m)
Rockyview (C\$113m)	Lynn & Inner Dowsing (£323m)	
Transglobe (C\$57m)		

## Additional opportunities

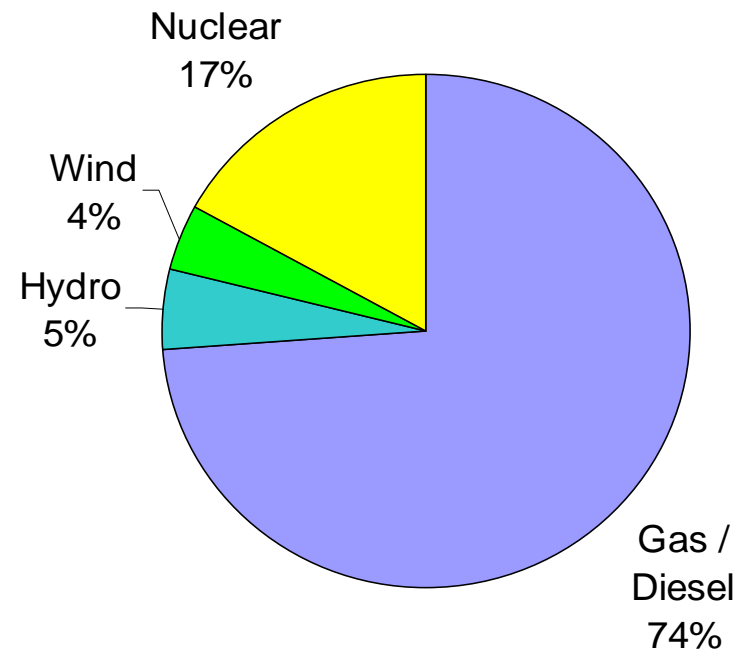
- 25 % British Energy (c.£3.2bn)
- SPE (Belgium) (up to €620m)
- Wind farm pipeline
- Gas storage assets
- UK gas assets
- North American gas assets
- Power assets

\*2008 estimate, excludes future acquisitions



# SPE

- Exercised pre-emption rights on SPE
- Will have 51% controlling interest
- 1.5m customers and 1.6GW
- SPE will benefit from cheaper power through PAX Electrica 2
- Increases Centrica's options in Europe



# British Energy

- Memorandum of Understanding to acquire 25% interest in British Energy ("BE") at a cost of c.£3.2bn
- This transaction would deliver the following :
  - EdF retains control of BE with responsibility for running all BE power stations
  - Centrica right to offtake at least 25% of uncontracted output of BE's existing generation fleet
  - Centrica entitled to participate in EdF's nuclear build activities in the UK on a 75/25 basis
  - Significant increase to Centrica's vertical integration, thereby reducing exposure to wholesale gas and electricity prices
  - Funding through combination of debt and equity, with the objective of maintaining credit ratings in the A range

# Financial profile and position

# Credit features: **financial profile**

- Our operational risk demands a conservative financial risk profile with strong liquidity
- Centrica is committed to “A” range long term credit rating

## Moody’s : A3 (stable) / P-2

“Centrica’s liquidity is strong, underpinned by (i) £1.1bn of cash and cash equivalents at 30 June 2007 and (ii) £1.3bn of 18 five year committed bi-lateral banking facilities...”

September 2007

## Standard & Poor’s : A (negative) / A-1

“Centrica has a conservative financial policy, driven by its publicly stated commitment to an “A” category long-term rating. This commitment stems largely from Centrica’s energy trading activities, which are key, given the group’s short positions.”

August 2007

- S&P: FFO/net debt 2008 estimate c.55% (A target 50%)
- Moody’s: RCF/net debt 2008 estimate c.30% (A3 target 25%)

# Credit features: financial position consisting of:

- **Strong cash flow generation**
  - EBITDA of £2.3bn and £2.5bn in 12 months to 30 June 2008 and 2007 respectively.
- **Low net debt relative to market capitalisation**
  - £0.3bn and £0.8bn at 30 June 2008 and 31 December 2007 respectively
- **Strong liquidity**
  - Cash reserves
  - £1.35bn of committed bilateral banking facilities that have never been drawn
  - Recently extended maturity of £1.05bn to April 2012, £0.3bn available to July 2010
  - No financial or other restrictive covenants in any of the 19 facilities
  - No reliance on uncommitted facilities e.g. \$2.0bn US Commercial Paper Programme

# Credit features: strong cash flow generation

Twelve months ended 30 June, £bn	2008	2007
Operating profit*	1.7	2.0
Add back:		
Amortisation of intangible assets	0.1	0.1
Depreciation	0.5	0.5
<b>EBITDA</b>	<b>2.3</b>	<b>2.5</b>
Working capital - non margin call	(0.2)	0.4
Working capital - margin call	1.2	(0.2)
Interest & tax	(0.8)	(0.6)
Restructuring payments	(0.1)	(0.1)
Gross capex	(1.2)	(0.7)
Equity dividends paid	(0.5)	(0.4)
Disposals/ other	(0.1)	0.1
<b>Total movement in net debt</b>	<b>0.7</b>	<b>1.0</b>
<b>Opening net debt</b>	<b>(0.9)</b>	<b>(1.9)</b>
<b>Closing net debt</b>	<b>(0.3)</b>	<b>(0.9)</b>

\* Includes JVs, excludes certain re-measurements

# Credit features: low net debt relative to market capitalisation

£m	30 June 2008
Bonds (public issues and private placements)	
<b>2008 Euro Bond – issued Jan '07</b>	(61)
<b>2008 Euro FRN – issued Sept '06</b>	(80)
<b>2009 Sterling bond – issued Mar '06</b>	(252)
2012 Sterling bond – issued Nov '01	(404)
2013 Yen bond – issued Feb '03	(15)
2016 Sterling bond – issued Oct '06	(300)
2026 Sterling bond – issued Sept '06	(153)
Bank overdrafts and loans	(363)
Spalding tolling contracts	(407)
	(2,035)
Cash and available for sale financial assets*	1,761
<b>Net Debt</b>	<b>(274)</b>
Market capitalisation (15 Oct 08)	<b>11,100</b>

\* Includes margin cash held of £1.1bn (June 2008) and £0.1bn (Dec 2007)

# Summary

- **Leading positions in UK gas and electricity supply**
- **Strong earnings and cash flow contribution from upstream operations**
- **Lowering of business risk through increasing vertical hedge**
- **Growing contribution from diversification**
- **Strong performance despite unprecedented volatility in wholesale energy markets**
- **Robust and low risk financial profile**
- **Commitment to “A” range credit rating**



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