

Centrica plc

Preliminary Results for the year ended 31 December 2004

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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

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Group Finance Director

Phil Bentley

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Financial highlights

Year ended 31 December 2004	2004		Δ
Turnover* (excluding Accord) (£m)	11,757	▲	9%
Operating profit (£m)	1,227	▲	16%
Earnings (£m)	839	▲	18%
Earnings per share (p)	20.0	▲	19%
Interest cover	64 times	▲	44 times
Effective tax rate	29%	▲	1 ppt
Final dividend per share	6.1p	▲	65%
Total ordinary dividend per share	8.6p	▲	59%

All figures including JVs and associates, pre exceptionals & goodwill amortisation

* From continuing operations

Operating Profit Analysis*

Year ended 31 December, £m	2004	2003	Δ
British Gas Residential	337	206	64%
Centrica Business Services	64	51	25%
Centrica Energy	512	561	(9%)
Centrica Storage	69	40	72%
One.Tel	16	4	300%
North America	134	130	3%
Europe	4	(3)	nm
Other/Discontinued	91	69	32%
Total	1,227	1,058	16%

* including JVs & associates, pre exceptionals & goodwill amortisation

British Gas Residential

Operating profit: causal track

	£m		£m
	Year Δ		
Year ended 31 December 2003			206
Higher selling prices	593		
Higher commodity & transportation costs	(366)		
Higher EEC spend	(27)	200	
Customer numbers	(19)		
Weather	21		
Energy investment / opex / other	(82)	(80)	
Home Services revenue	96		
Home Services investment / opex / other	(85)	11	
			131
Year ended 31 December 2004			337

Centrica Energy

Operating profit: causal track

	£m Year Δ	£m
Year ended 31 December 2003		561
Higher gas production selling price	149	
Statfjord contribution	20	
Increased PRT	(80)	
Industrial & Wholesaling	(129)	
Opex	(9)	
		(49)
Year ended 31 December 2004		512

Other UK businesses

Operating profit: causal track

	£m Year Δ	£m
Year ended 31 December 2003		161
Centrica Business Services	13	
Centrica Storage	29	
One.Tel	12	
Discontinued businesses – AA & Goldfish	24	
		78
Year ended 31 December 2004		239

North America

Operating profit: causal track

	£m Year Δ	£m
Year ended 31 December 2003		130
Foreign exchange movements	(10)	
Texas 2003 profit adjustment	(16)	
		104
Texas Electricity	24	
Canada Energy	(2)	
Home and Business services	7	
Other	1	
		30
Year ended 31 December 2004		134

International Financial Reporting Standards

- Last results prepared under UK GAAP
- Now accounting under IFRS
- Industry interpretation of IAS39
- Treatment of PRT
- Humber/Spalding on balance sheet
- 4 May
 - seminar & restatement of 2004 results
- 15 September
 - first reporting under IFRS - 2005 Interim Results

Cash flow (excluding Goldfish)

	2004 (£m)	Year Δ (£m)
EBITDA*	1,628	215
Post-tax operating cash flow**	1,168	28
Free cash flow (before ordinary dividends)	540	(201)
Net cash ⁺	296	163

- £100m pension top-up
- £939m capex & acquisitions – up £555m
- £1.6bn proceeds from AA disposal
- £1.3bn special dividend & buyback
- Balance sheet strength gives investment headroom

* Before exceptional items, excluding JVs & associates

** Before exceptional items, including JV dividends

+ Excluding non-recourse debt

Return on Invested Capital*

	2004 year average invested capital (£m)	ROIC
UK Energy (including Home Services)**	6,308	14%
North America	1,713	11%
Centrica Storage	322	17%
One.Tel	103	23%
Europe	75	4%
Group	8,737	14%

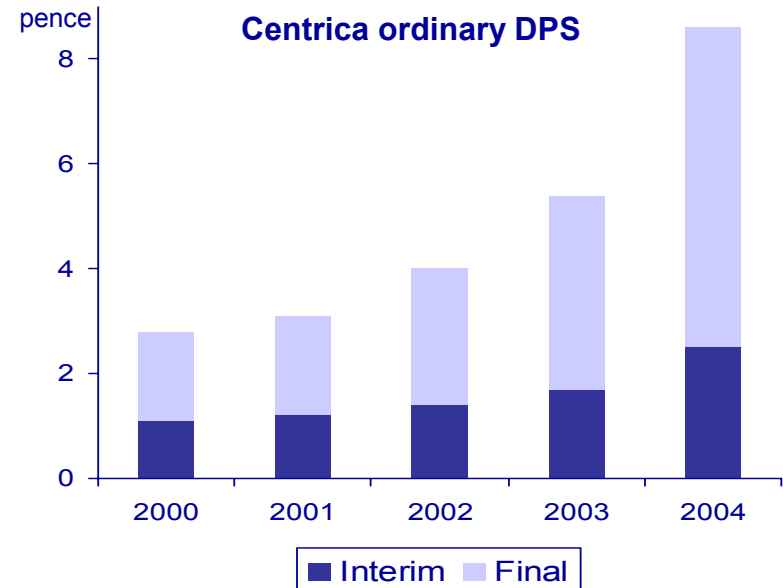
- Group WACC 8%
- Group returns improved by 175 basis points in 2004
- Continue to apply ROIC discipline to new investment

* (NOPAT+post-tax depreciation)/Undepreciated capital invested including all capex, using actual tax rates

** includes £4bn of capital for fair value adjustment

Returns to shareholders

- 8.6p per share ordinary dividend
 - 40% dividend payout ratio
 - 59% increase on 2003
- 28% dividend CAGR (1999-2004)
- £1.3bn special dividend / buybacks



Step change in returns to shareholders ...
... delivered alongside earnings growth
... and further investment in the business

Chief Executive

Sir Roy Gardner

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Review of 2004

- Significant step change in returns to shareholders
- Strategic refocus
- Higher upstream investment planned
- Volatile commodity markets
- Increased customer churn
- British Gas investment in operating efficiencies

Agenda for 2005

- Leveraging the value of scale
- Getting back to growth in British Gas
- Reducing the cost base
- Growing Home Services
- Investing in value-enhancing upstream assets
- Managing for growth in other business areas

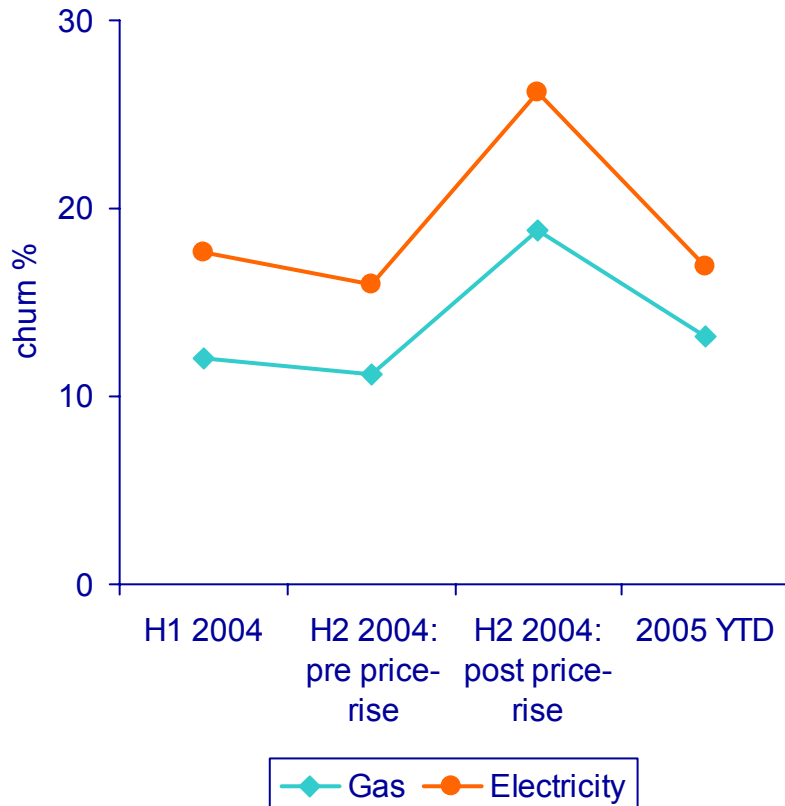
Getting back to growth

- Pricing innovation
- Larger direct salesforce
- Cross-selling capability
- Save & winback activity
- New propositions
- Increased marketing



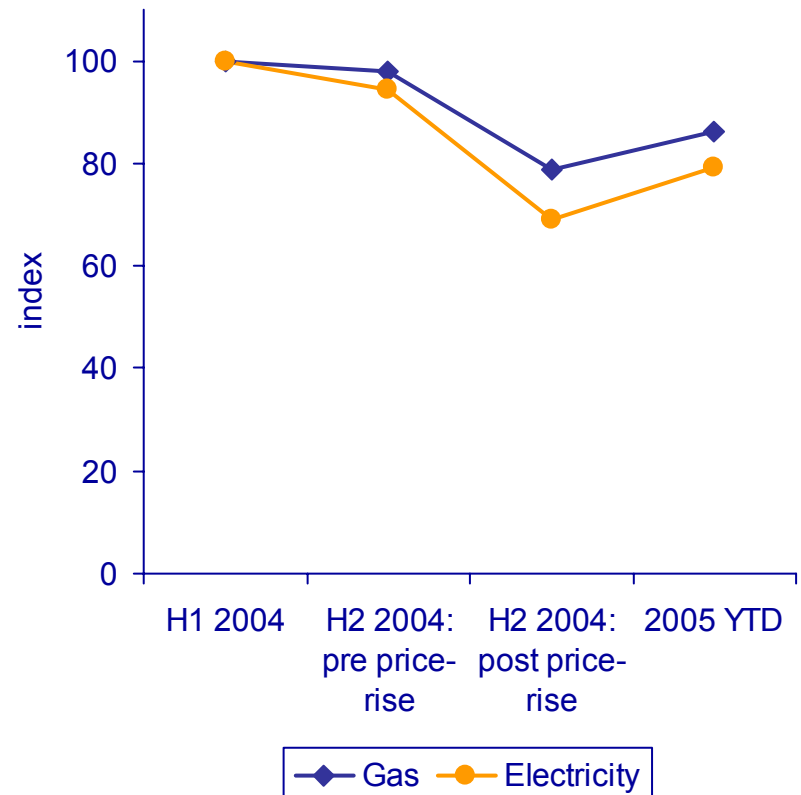
Results so far

Annualised gross churn rates



Average gross weekly sales

(indexed to H1 2004 = 100)



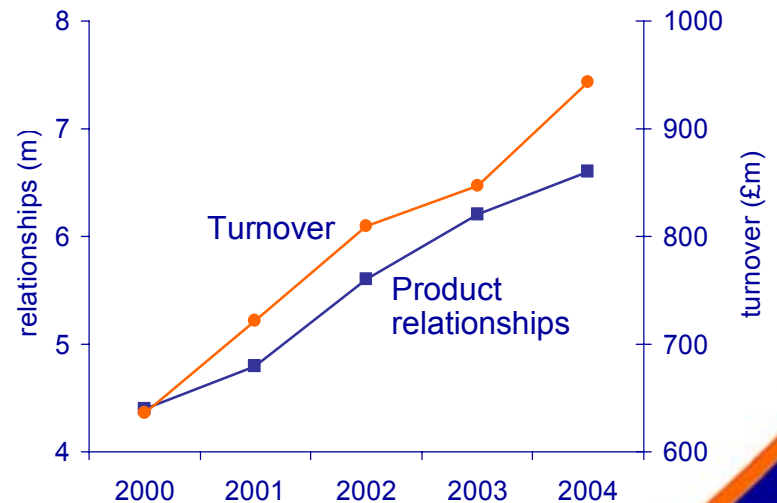
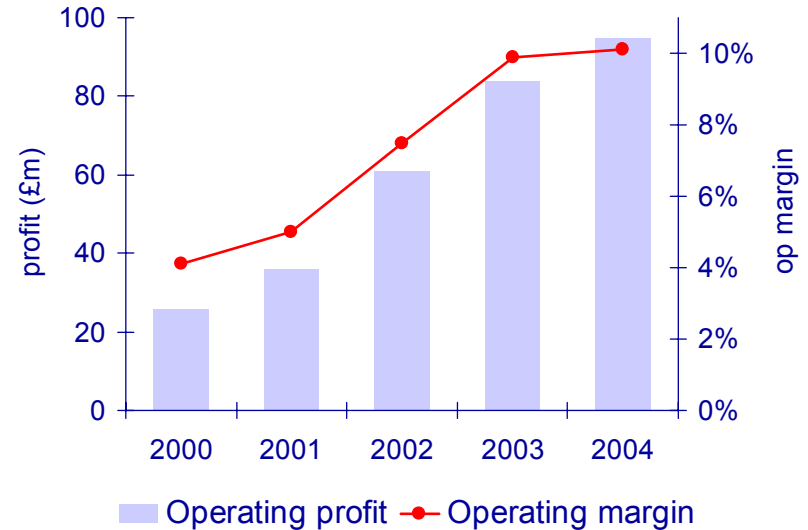
Operational efficiency & cost base

- Cross-selling
 - System now fully rolled out
- Billing
 - First migration of customers mid-2005
- Engineer deployment
 - Rolling out nationally following successful 150-engineer pilot
- Re-engineering processes
 - Identified 2,000 roles that could be removed; 1,500 now gone
 - Further headcount reductions in 2005



British Gas Home Services

- Supports energy
- Increases customer loyalty
- Differentiation from competitors
- Enhances the brand
- Stand-alone profitability
- Growth opportunities



Upstream investment

- Will remain a patient & disciplined buyer
- Flexible portfolio: equity and contractual positions
- Infrastructure projects in progress
- New gas will come into the UK
- Gas producers are competing for market access
- Centrica has scale and a strong balance sheet



Import capacity projects

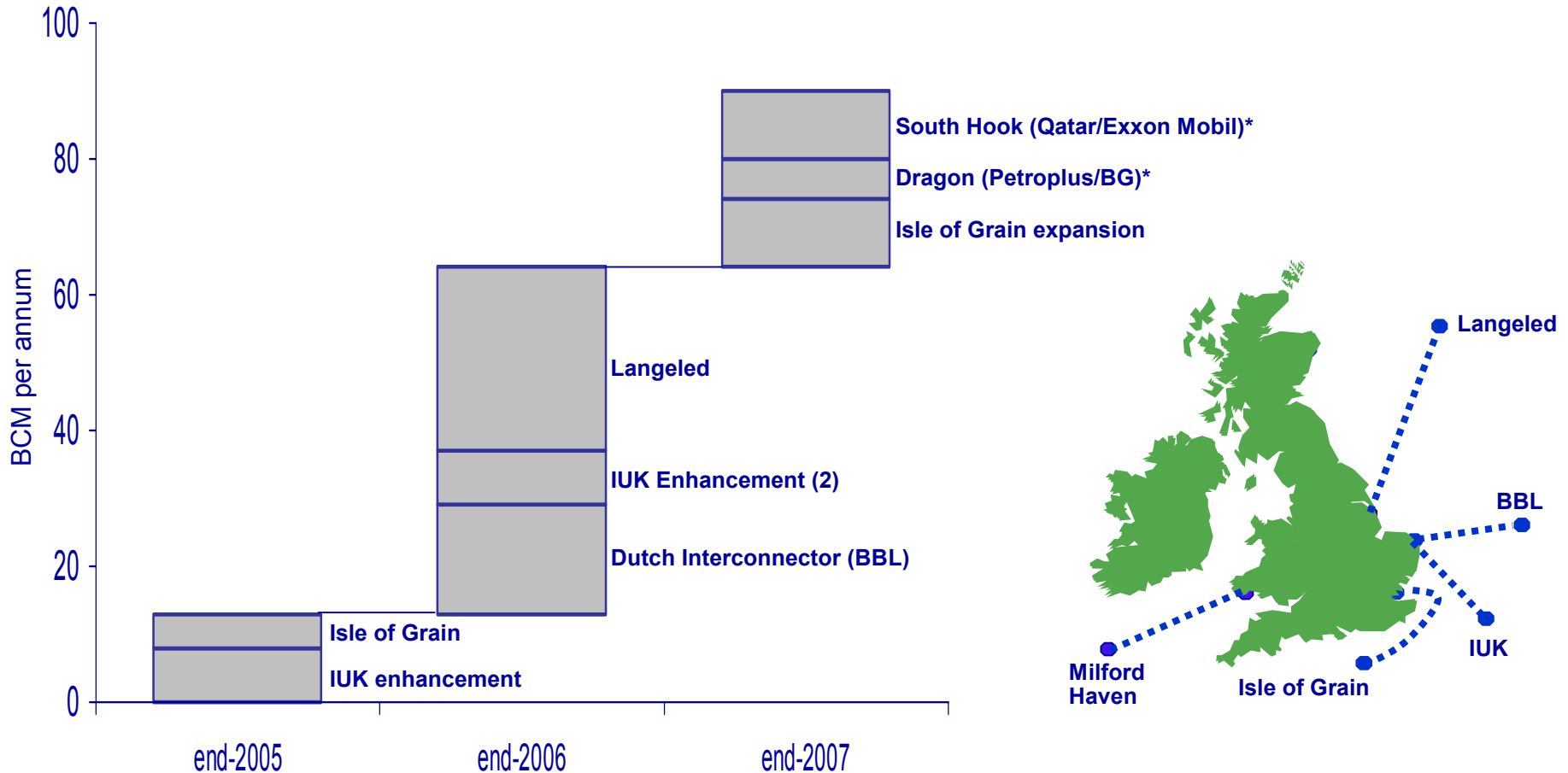


Chart shows capacity being built, not guaranteed gas flows

* Further expansion potential at Dragon and South Hook

Source: Centrica Energy

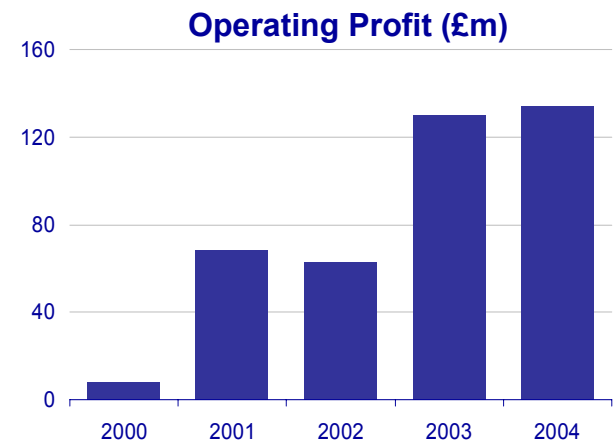
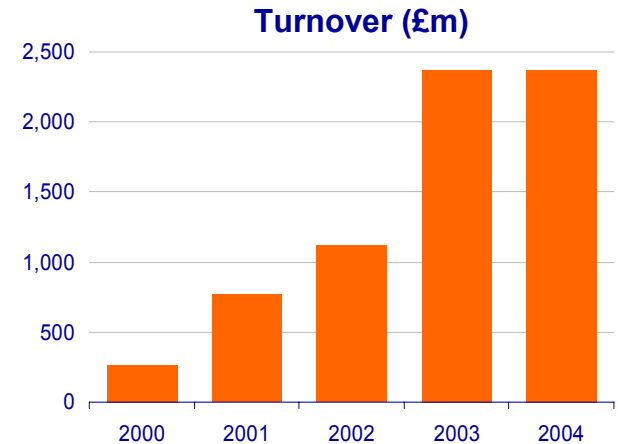
Telecoms

- One.Tel now firmly profitable
- Grown scale
- Added VOIP capability
- New delivery model
- Single platform – One.Tel



North America

- Organic growth in existing markets
 - 200,000 organic customers in Texas
- Cross-selling energy & services
 - Residential Services Group
- Building scale in business markets
 - 62% increase in turnover
- Underpinning downstream supply with upstream assets
 - Bastrop, Frontera, Quintana
- Strong foundations
- Growing momentum
- Attractive growth prospects



Europe

Belgium



Spain



- Greater certainty around market opening
- Partnership approach still preferred option
- Patience and discipline still required

Summary & Outlook

- Leveraging the value of scale
- Getting back to growth in British Gas
- Optimising gross margin
- Reducing the cost base
- Growing Home Services
- Investing in value-enhancing upstream assets
- Managing for growth in other business areas



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Appendices

Cash flow (excluding Goldfish)

Year ended 31 December, £m	2004	2003
EBITDA*	1,628	1,413
Adjustments: PRT P&L charge	208	128
PRT cash paid	(263)	(210)
Corporation Tax	(239)	(181)
Pension top-up	(100)	-
Other working capital	(66)	(10)
	(460)	(273)
Post-tax operating cash flow	1,168	1,140
Interest	6	(15)
Capex & net acquisitions	(939)	(384)
AA disposal proceeds	1,586	-
Special dividend & buyback	(1,256)	-
Exceptionals	(25)	-
Free cash flow (before ordinary dividends)	540	741
Net cash (excluding non-recourse debt)	296	163

* Before exceptional items, excluding JVs & associates

Net cash capital expenditure

£m	2004	2003
British Gas Residential	122	137
Centrica Energy	92	67
North America	63	57
Other*	72	62
Less disposals & loans repaid	2	(41)
Total	351	282

* Includes discontinued businesses

Net cash acquisitions

£m	2004
Statfjord oil & gas interests	43
ATCO (Alberta)	30
Quintana minerals	18
Bastrop Energy Centre (Texas)	79
Killingholme	140
Telco Global	46
Dyno-Rod	56
Residential Services Group	81
Frontera	68
Other	27
	588
Proceeds from AA disposal	(1,586)
Total	(998)
2003	(292)