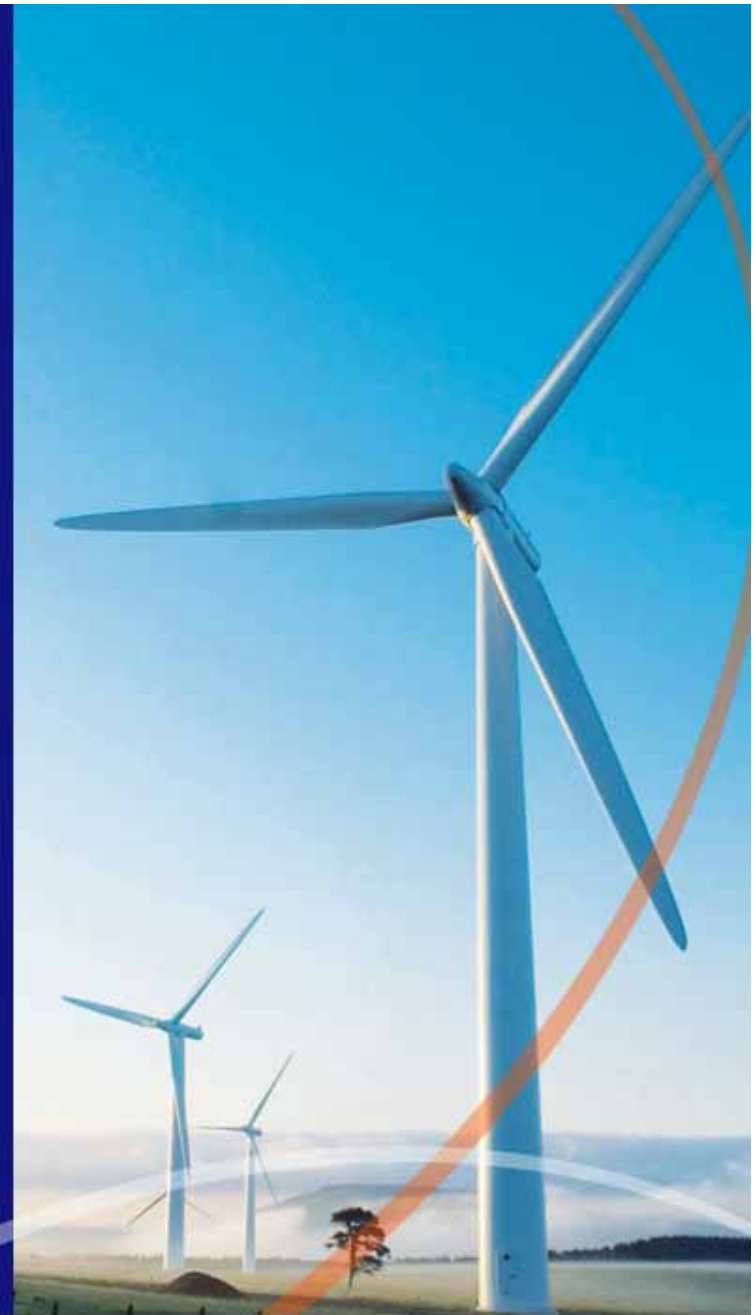


# Centrica plc

Interim Results  
For the six months ended 30 June 2007

2 August 2007



# Disclaimer

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

# Roger Carr

## Chairman

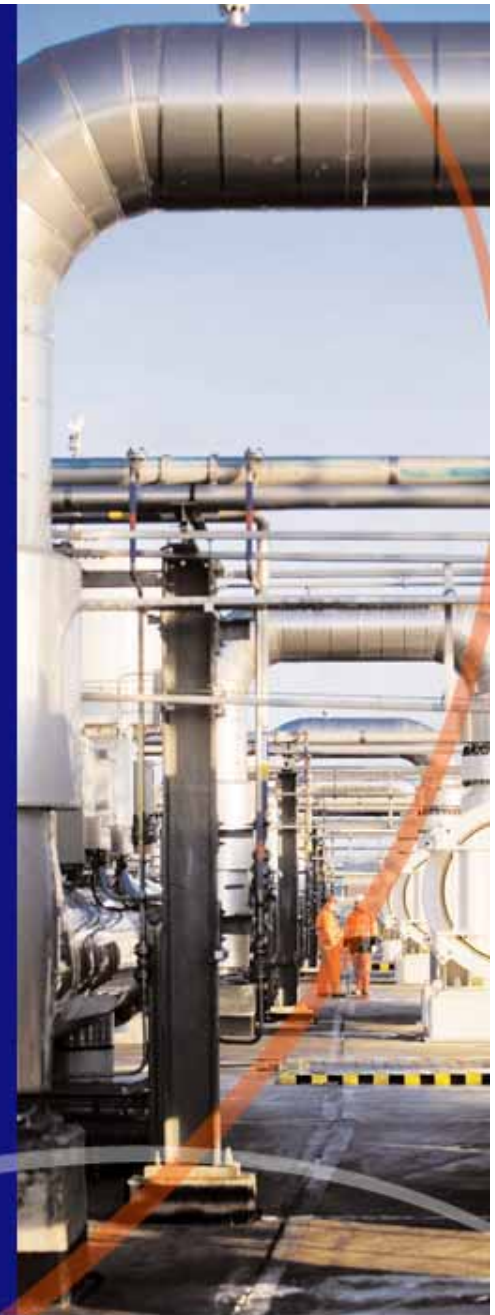


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**centrica**

# Nick Luff

## Finance Director



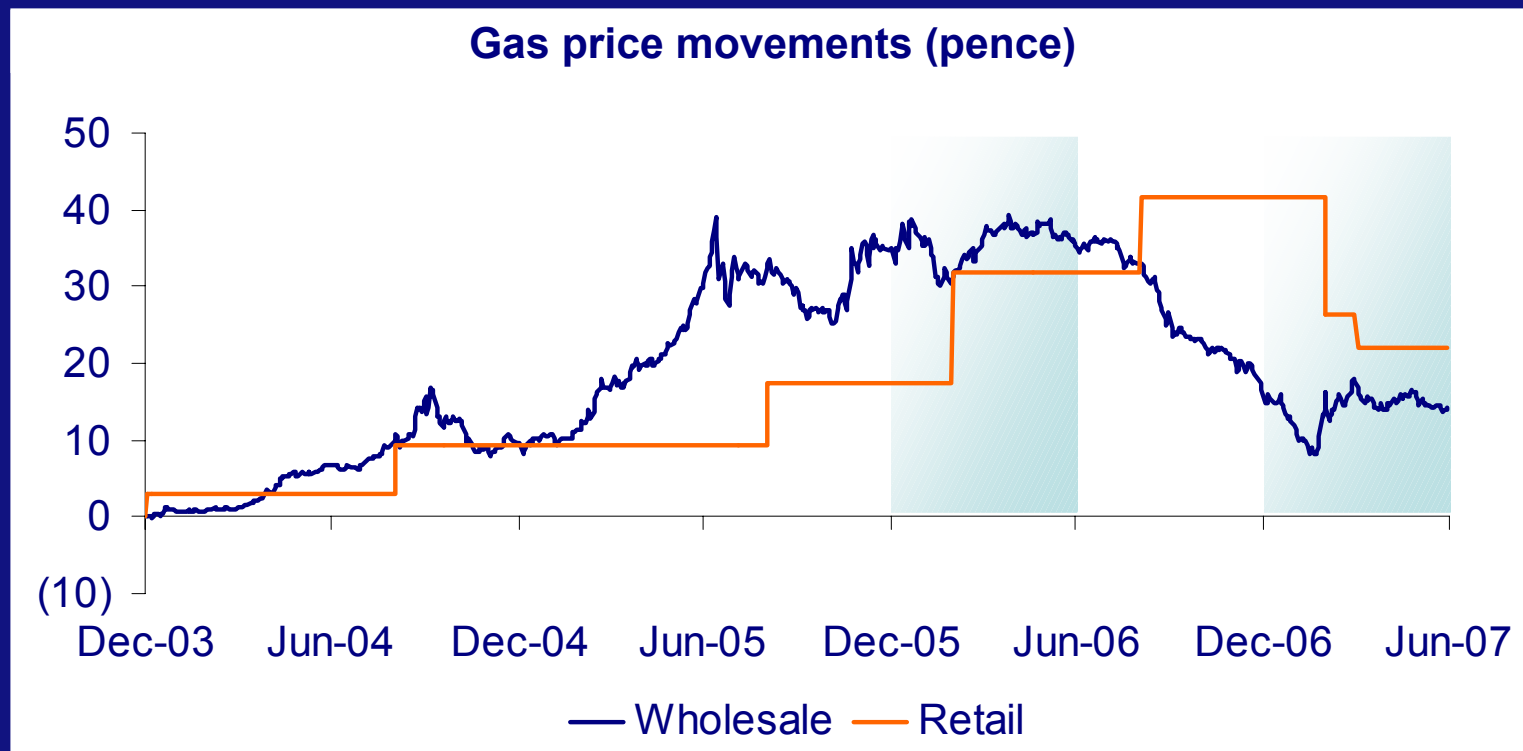
## First half 2007: Financial headlines

Period ended 30 June	2007	2006	
Revenue (£m)	8,592	8,728	▼
Operating profit (£m)	1,248	692	▲
Total effective tax rate	34%	51%	▼
Earnings (£m)	788	277	▲
Earnings per share (p)	21.5	7.6	▲
Interim dividend per share (p)	3.35	3.15	▲

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

## First half 2007: Commodity

- Retail prices follow both rising and falling wholesale prices
- Residential profits restored to sustainable levels after first quarter peak



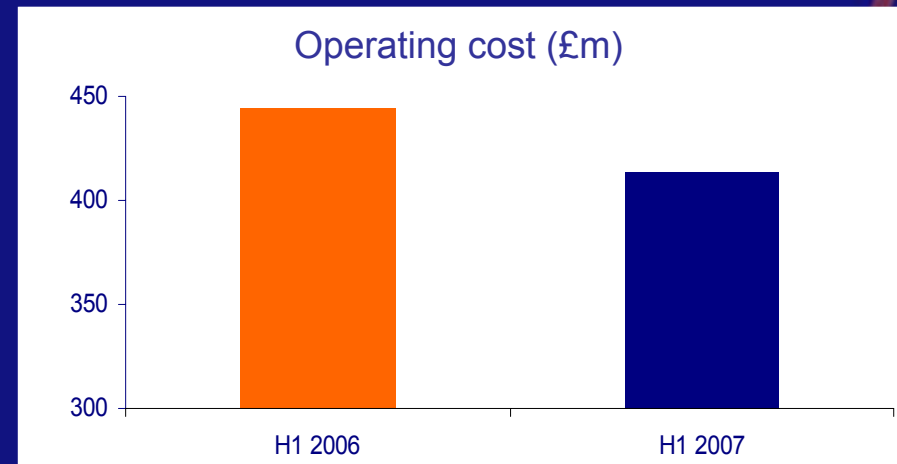
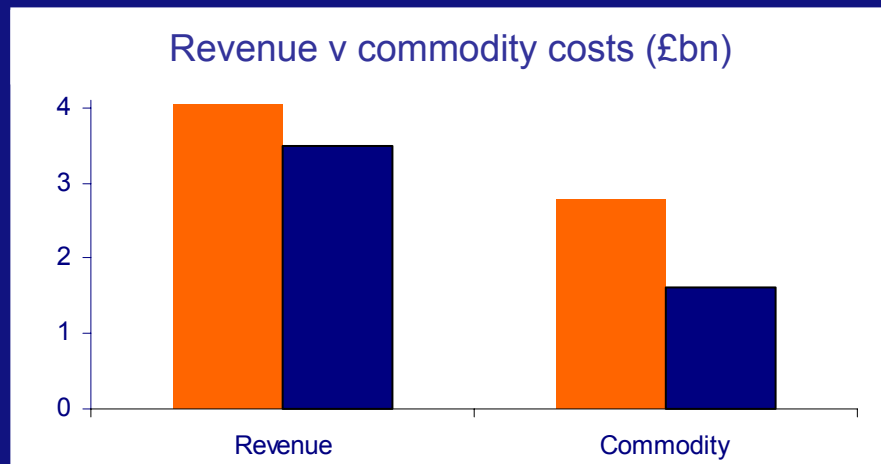
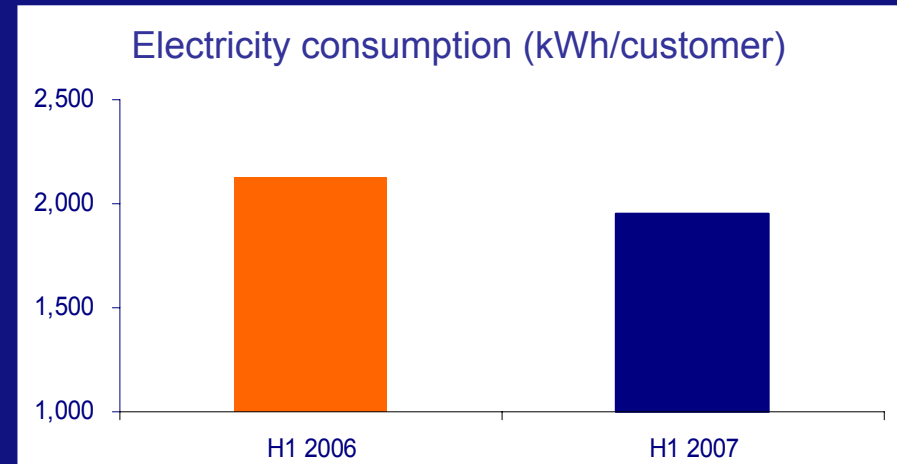
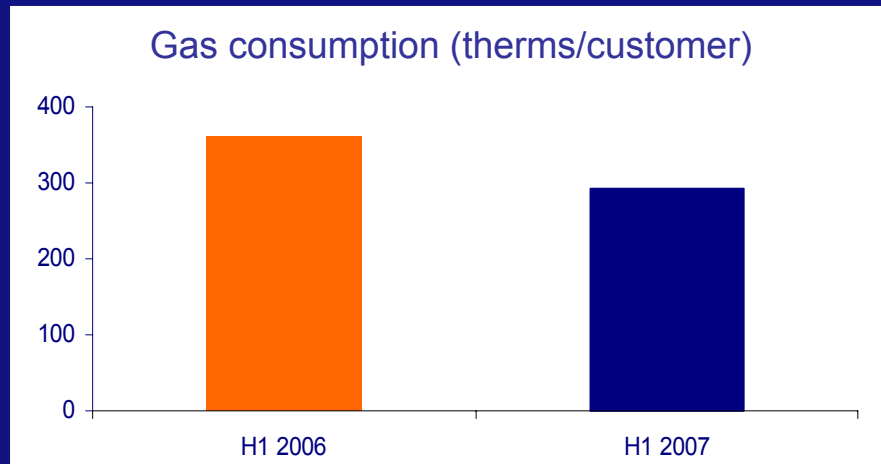
## First half 2007: Operating profit analysis

Period ended 30 June, £m	2007	2006
<b>British Gas Residential</b>	<b>533</b>	<b>(143)</b>
Centrica Energy	337	579
British Gas Business	48	11
Centrica Storage	128	93
<b>UK Energy</b>	<b>1,046</b>	<b>540</b>
British Gas Services	63	44
North America	132	121
Europe	11	(4)
Other	(4)	(9)
<b>Total operating profit</b>	<b>1,248</b>	<b>692</b>

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# First half 2007: British Gas Residential

## Operating Profit: Key Drivers





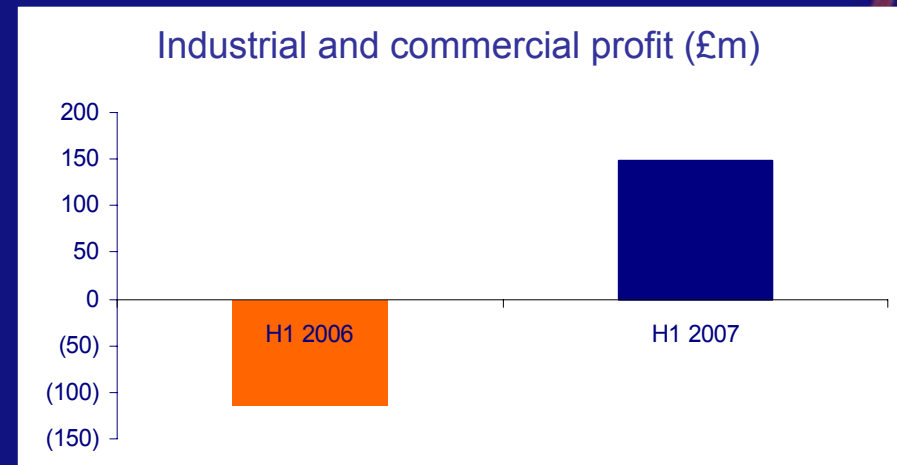
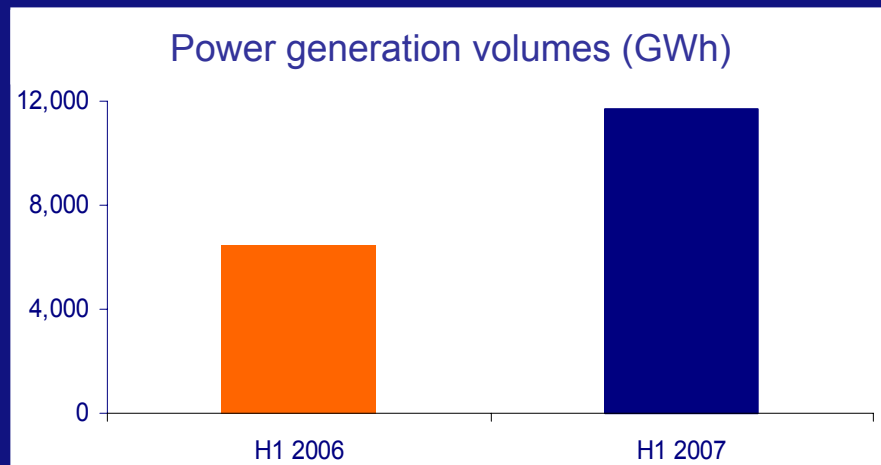
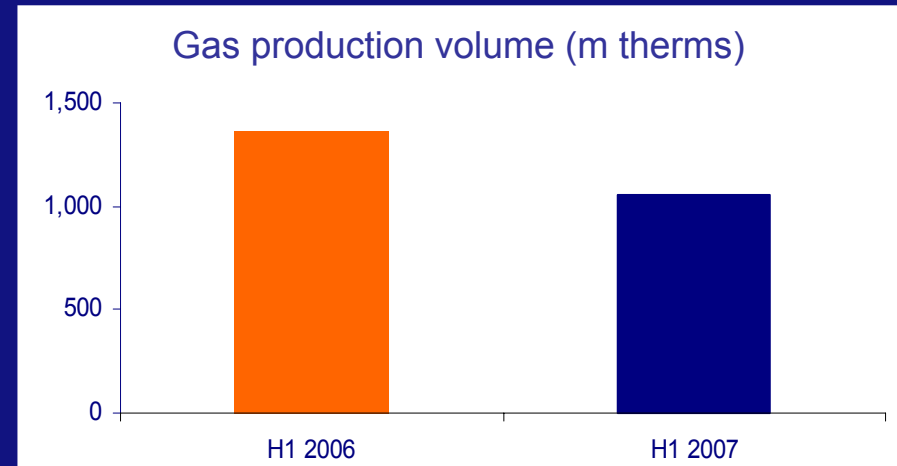
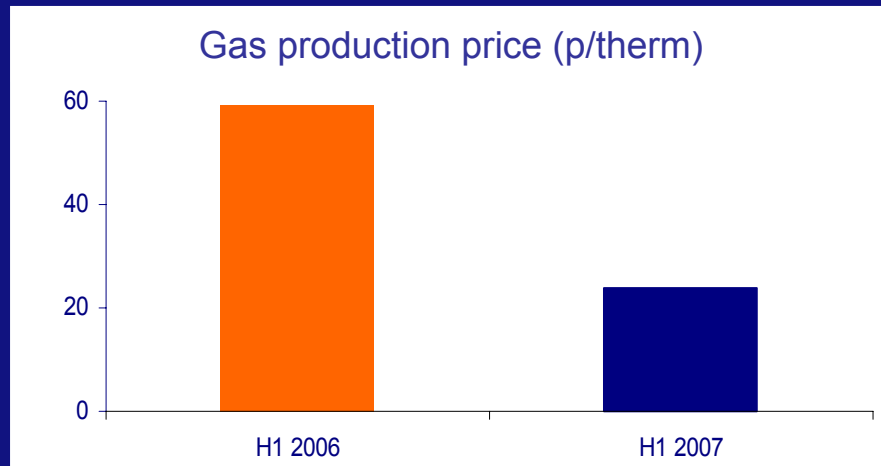
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# First half 2007: Centrica Energy

## Operating Profit: Key Drivers



## First half 2007: Operating profit analysis

Period ended 30 June, £m	2007	2006
British Gas Residential	533	(143)
Centrica Energy	337	579
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<b>Centrica Storage</b>	<b>128</b>	<b>93</b>
<b><i>UK Energy</i></b>	<b><i>1,046</i></b>	<b><i>540</i></b>
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<b>Europe</b>	<b>11</b>	<b>(4)</b>
<b>Other</b>	<b>(4)</b>	<b>(9)</b>
<b>Total operating profit</b>	<b>1,248</b>	<b>692</b>

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

## First half 2007: **Cashflow**

	H1 2007	H1 2006
<b>EBITDA</b>	<b>1,544</b>	<b>947</b>
Working capital movements (incl Margin calls)	(198)	(819)
Interest and Tax	(112)	(282)
Restructuring payments	(68)	(61)
Total net Capex	(312)	(403)
Dividends	(294)	(269)
Other	25	46
<b>Total movement in net debt</b>	<b>585</b>	<b>(841)</b>
<b>Opening net debt excluding non-recourse</b>	<b>(1,527)</b>	<b>(1,085)</b>
<b>Closing net debt excluding non-recourse</b>	<b>(942)</b>	<b>(1,926)</b>

# Summary

- Wholesale price fall moves profit to the downstream
- British Gas Residential margins restored
- Growth businesses performing well
- Lower tax charge on profit mix
- Strong cash generation





# Sam Laidlaw

## Chief Executive



## Priorities

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

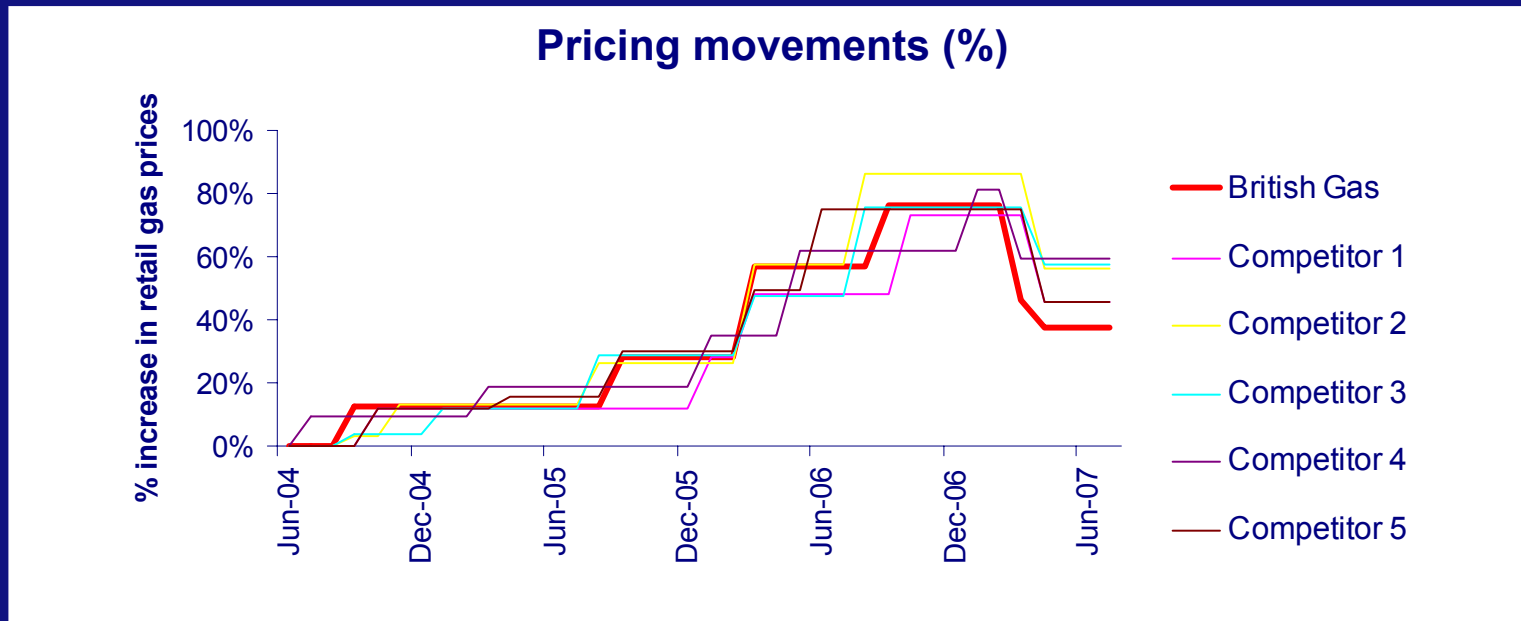
# Transform British Gas: Pricing position

## Led customer prices down

- two price reductions
- lowest online dual-fuel tariff
- Essentials tariff for vulnerable customers
- launched tracker product

## Enhanced system capabilities

- rapid price movements
- regional pricing







## Transform British Gas: Customer service

- Service quality is improving
- Aim to return to among the best in the industry
- Launched [www.britishgas.co.uk](http://www.britishgas.co.uk)

### Service measures

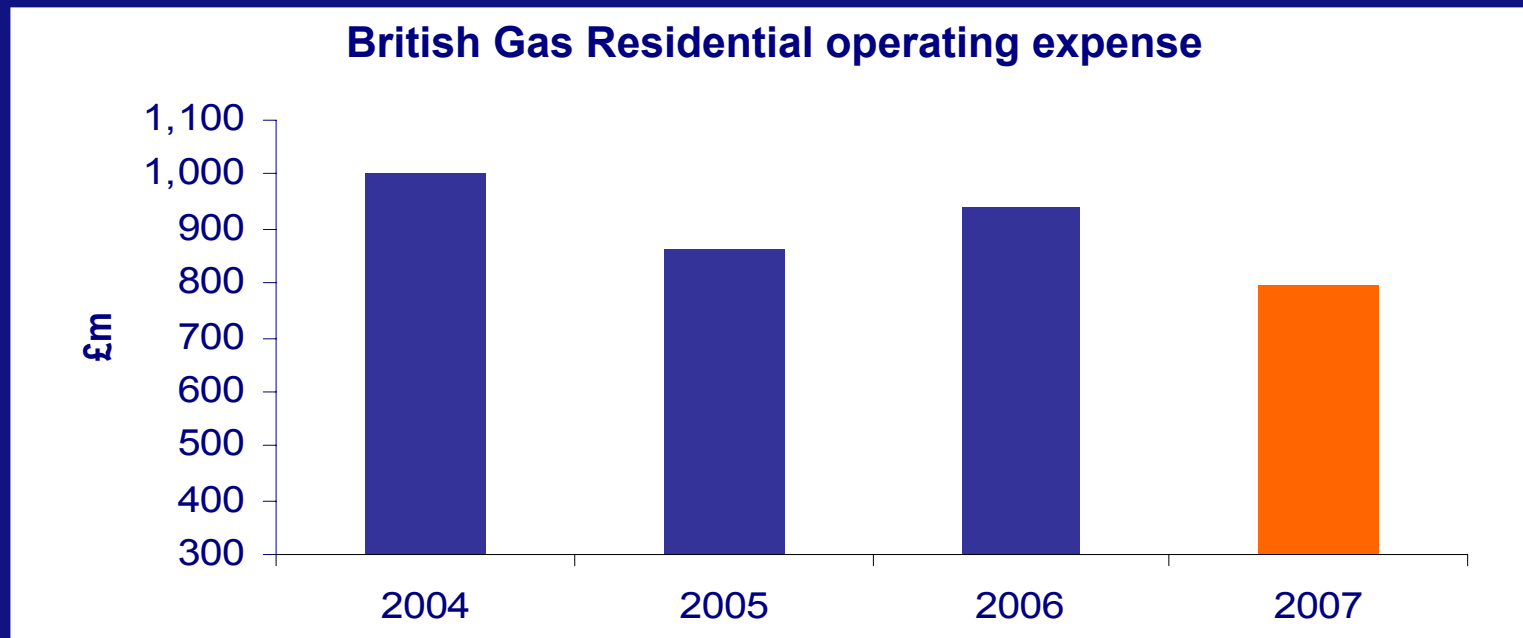
### Improvement

Call answering time	48%
Email correspondence handling time	71%
Customer hand-offs	41%
Energywatch complaints (April to June)	25%



## Transform British Gas: **Operating cost**

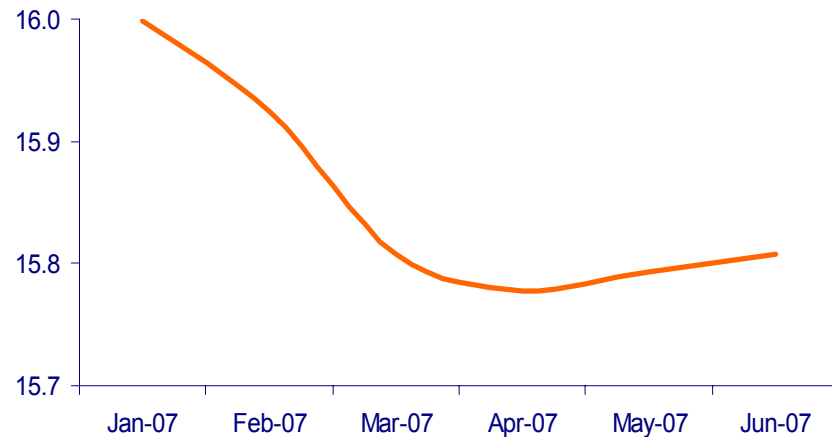
- Prioritised service over cost in the short term
- Full savings will be delivered in 2008



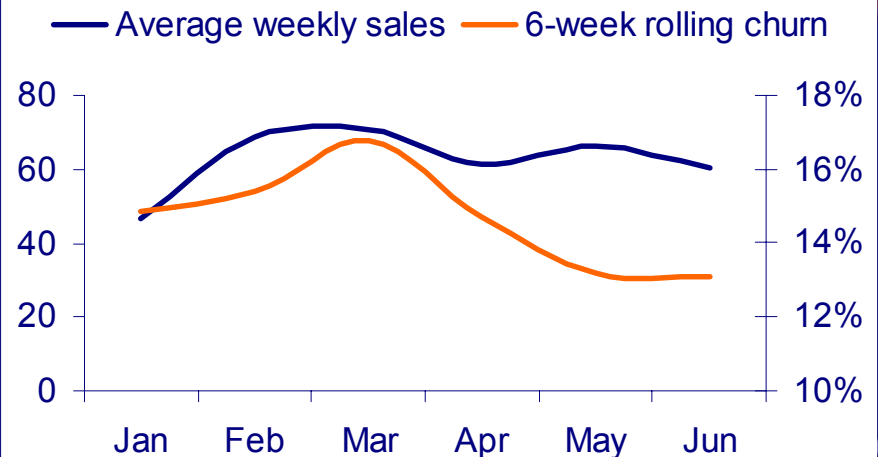
# Transform British Gas: Customer growth

- Steady customer gains from April low point
- Sales levels 15% above last year
- Churn fallen sharply

Total customer account numbers (m)



Average weekly sales (000) and Gas churn (%)



## Sharpen the organisation and reduce costs:

- Restructuring BGR into more manageable P&Ls
- Full people skills review reduced senior team by a third
- Implemented three-year planning horizon to focus performance
- Created separate P&L for UK equity power generation
- Put in place systematic quarterly Business Unit cost reviews
- Removed 1,000 roles in H1
- Additional 850 roles to go in H2
- Outsourced data centres and IS support team at an annual saving of £9 million



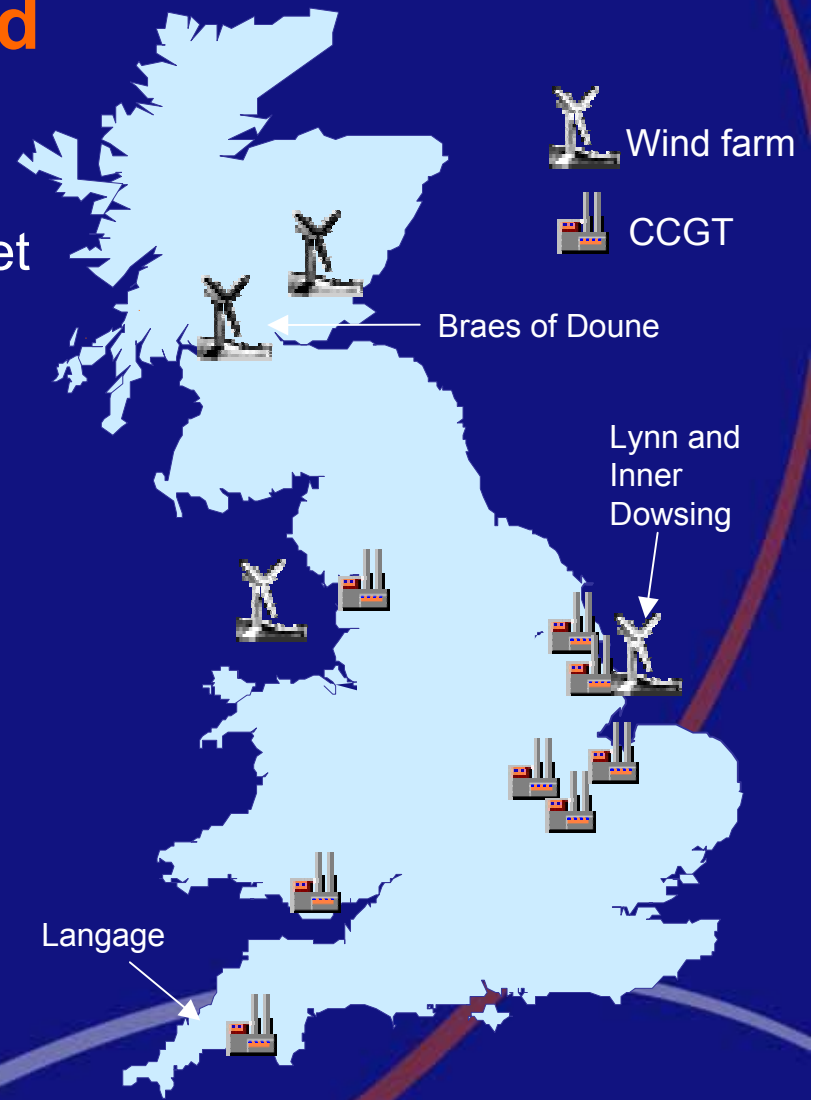


## Reduce risk through increased integration: New sources of gas

- Aim to cover 50% of open retail load from assets and contracts
- Continuing to build upstream skills base
- 12 exploration blocks in UK, Norway, Egypt, Trinidad, Nigeria
- Acquired additional LNG import capacity at Isle of Grain
  - Total 5.8BCM
- Planning appeal submitted at Canvey
- Discussions ongoing to secure additional LNG and pipeline gas

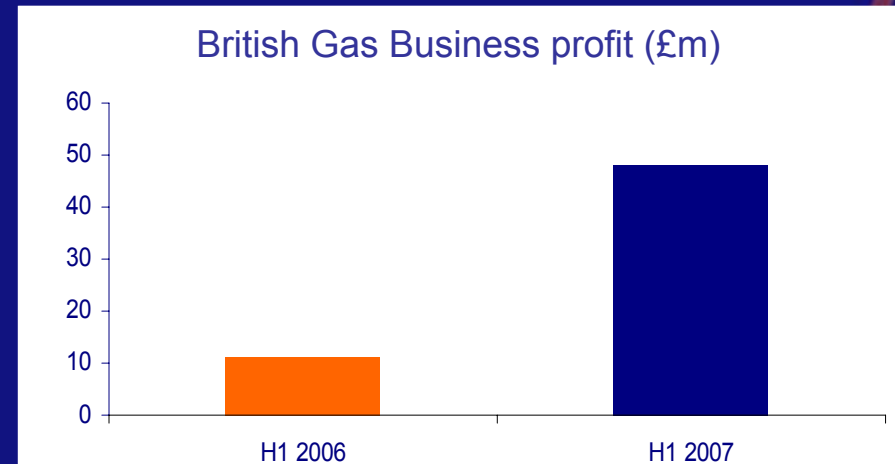
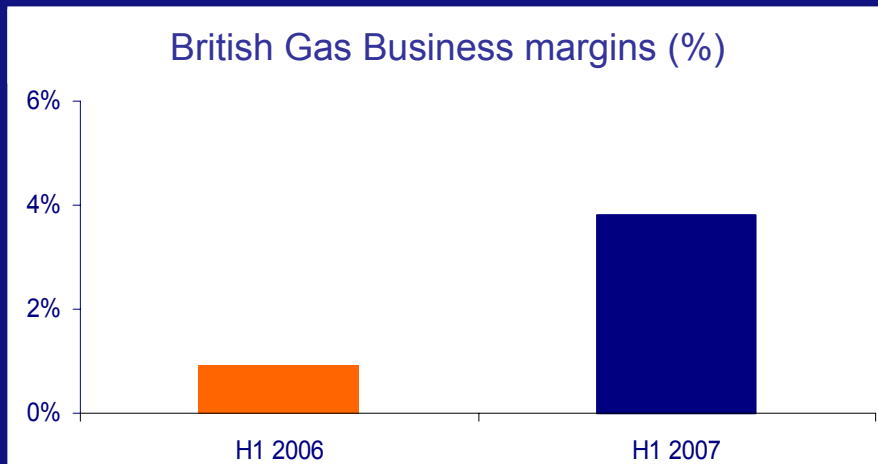
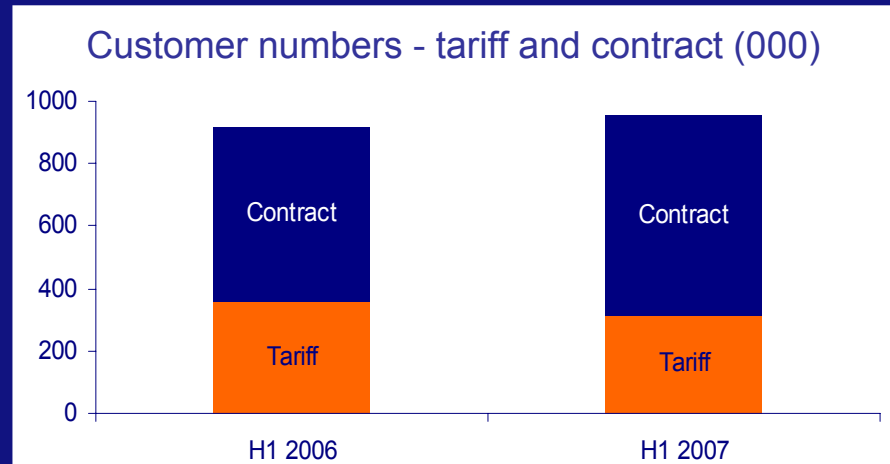
# Reduce risk through increased integration: Power generation new build

- Adding 1,100MW to current 4,200MW fleet
- Low carbon intensity generation
  - £120m invested in H1 2007
  - further £500m committed
- 800MW IGCC viability study underway



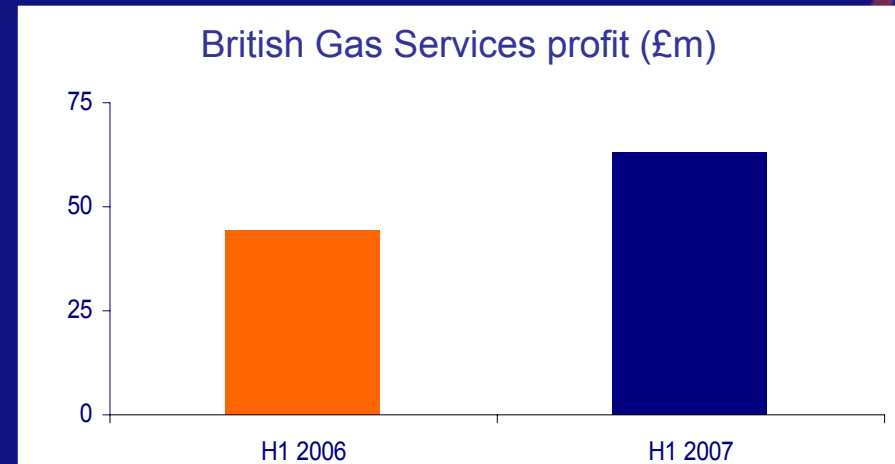
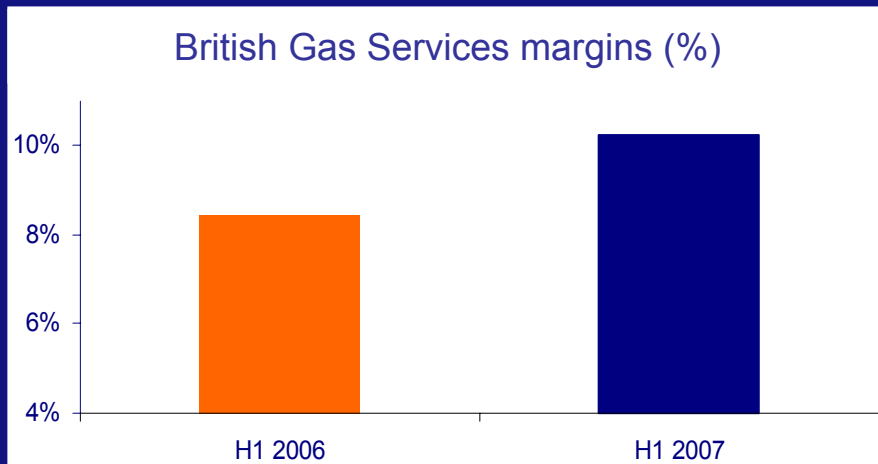
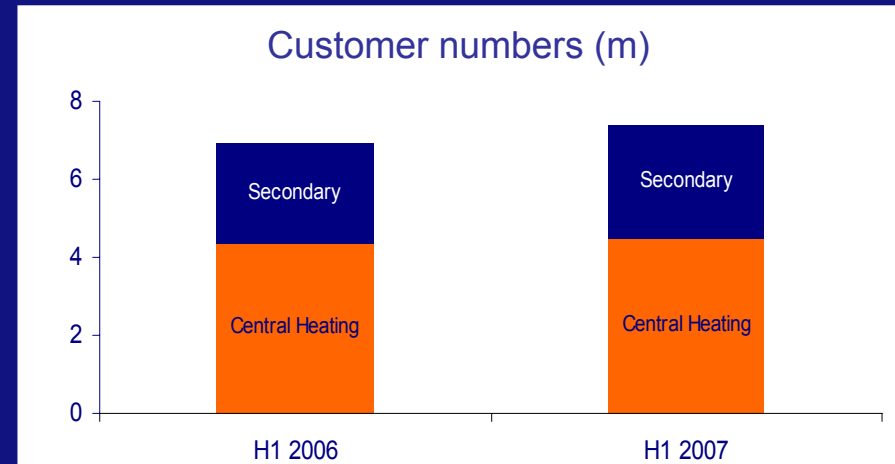
# Build on our growth platforms: British Gas Business

- Exceptionally strong first half
- Growing customer base
- Margins and profit up
- Rolled out differentiated service model
- Continued strong renewals
- Continued reduction in churn



# Build on our growth platforms: British Gas Services

- Record first half operating profit
- Transformed customer service
  - 80% improvement in speed to answer
  - 70% fewer broken promises
- Growth across product portfolio
- Significant potential for further growth







## Build on our growth platforms: **North America**

- Ongoing revenue and profit growth
- Reorganised along business lines
- Commercial energy supply moving to breakeven
- Texas market increasingly competitive
- Strong profit growth in wholesale energy



## Build on our growth platforms: **British Gas New Energy**

- Launched new business unit in March
  - Well positioned with lowest intensity carbon footprint
  - Energy Savers Report responses provide unique knowledge
- 150 staff in training to offer Energy Performance Certificates
- Medium term more material opportunities in conjunction with British Gas Residential and Services
  - Launched two new green products
  - Largest installer of A rated boilers
  - Relationships with key providers of new technologies



## Summary

- First half earnings provide a platform for growth
- Full year earnings in line with expectations
- BGR margins returning to more sustainable levels
- Continued focus on our priorities
  - Transform British Gas
  - Sharpen up the organisation and reduce costs
  - Reduce risk through increased integration
  - Build on our growth platforms

